332.530942
Lau/Dep
26940
00026940

Digitized with financial assistance from the
Government of Maharashtra
on 21 October, 2015

THE

DEPRECIATION

OF

THE PAPER CURRENCY

OF

GREAT BRITAIN

PROVED.

BY

THE EARL OF LAUDERDALE.

26940 ac

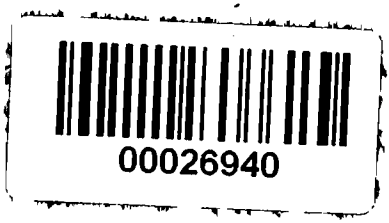
London:

PRINTED FOR LONGMAN, HURST, REES, ORME, AND BROWN, PATER-NOSTER-ROW; J. BUDD, PALL-MALL;

AND CONSTABLE AND CO. EDINBURGH,

1812.

332.530942
Law/Dep
26940



J. M'Creery, Printer,
Black-Horse-Court, Fleet-Street,
London.

ADVERTISEMENT.

IN this publication, the author has carefully avoided all discussion of the fittest means of redressing the grievance, the existence of which he has endeavoured to prove.

For, in his opinion, it would be a ridiculous waste of time and of labour, to explain the nature of the remedies most likely to be efficacious,—to a people who are at present so much misled by the folly, or deceived by the arts, of those to whom the government of the country is intrusted, as generally to regard the symptoms of their disorder as conclusive evidence of the vigorous state of their health.

But, whenever the public have recovered from this delusion, and appear to be impressed with a just sense of the perilous state in which they are placed, his efforts will not be wanting in endeavouring to suggest the mildest, and the most

certain means of restoring our circulation to its former salutary state, the benefits of which have been so long and so invariably experienced in this commercial country.

In the mean time, he must say, that he neither thinks this fortunate change will follow as a matter of course, from our enjoying the blessings of Peace; —nor does he believe that it can be effected by the unaided efforts of the Directors of the Bank of England.

He conceives the interposition of parliament, in a variety of ways, to be necessary;—and the great question must be, how an effectual interposition for removing the evil, can be directed in the manner best calculated to prevent a violent shock, from the too sudden sensation of those latent, but daily increasing calamities, which, if not arrested in their progress, must terminate in that convulsive change of property, and consequently of power, that has justly been denominated the ruin of a country.

THE

DEPRECIATION

OF OUR

PAPER CURRENCY

PROVED, &c.

IT has been universally admitted, throughout all the numerous publications, to which the Report of the Select Committee of the House of Commons, appointed to inquire into the high price of gold bullion has given rise, that for a length of time a difference of value has existed betwixt coin or gold and the Notes of the Bank of England, amounting to fifteen or sixteen per cent. and more recently, in the opinion of many, exceeding twenty per cent.

Attempts have, indeed, been made to establish a distinction betwixt coin and gold, and to assert that this difference in value is only in reference to gold in bullion, whilst Bank Notes remain in every respect equivalent to the coin of the realm; but this opinion cannot be maintained, for the real value of coin depends, not on a piece of gold being called a guinea, or a piece of silver a shilling, but on the quantity of pure gold or silver it contains;

and we know by experience, that the price of bullion, and the state of exchange with foreign countries, both before and after the re-coinage in 1772, concurred in shewing that our coin passed for its value by weight, without reference to its value in tale.

At all events, such a distinction is unauthorized under the law, as it now stands, because the guineas issued from the mint are, by statute, deprived of the character of coin, if reduced in weight one grain and thirty eighty-nine parts of a grain; and since the recent trial of De Yonge it must appear perfectly nugatory, for, on that occasion, notes were proved to bear to coin the same proportion in value they did to gold, whilst it was decided, that the advantage ~~derived from the sale of coin~~ for a higher denominative value in notes, was no illegal benefit.*

* Lord Castlereagh, following the opinion of many others who have written on the subject, has stated, p. 13 in his Speech on the Report of the Bullion Committee, that "there is no just "ground to consider the note as depreciated; both the note and "the coin were intended for internal circulation, and for internal "circulation alone: the contingent but illegal profit derived from "diverting the coin from its legitimate purpose, is a species of "value, which the Bank Paper never was, in equity or in fact, "intended to represent. It is only, through the operation of "causes destructive of the established system of our standard "coinage, that this advantage can attach to coin over Bank "Paper. To derive such an illicit benefit is an abuse; and so "far as it may operate at this moment to occasion a disparity of "value between coin and notes, the difference is very incorrect-

"ly

Indeed it is surprising that (before the Act of last session) the legality of selling Bank Notes for coin should have been seriously questioned in a court of law; for in the reign of William III. Bank Notes publicly circulated at a discount as against coin, and though the amount of that discount was as openly stated in the newspapers, as the value of government securities, no doubt ever occurred to the eminent lawyers of that day, on the legality of the transaction.

Without, therefore, entering into further details to repel this groundless distinction, it may be considered as universally admitted, that there has existed, within these last two years, a difference of value betwixt gold or coin and Bank Notes, which has increased rapidly, and now amounts to upwards of twenty per cent.

This circumstance might, perhaps, be deemed sufficient of itself, to authorize the opinion, that the paper of the Bank of England is depreciated;

" ly described under the term of " A depreciation of Bank Pa-
" per."

But this doctrine, which falsely assumes that the value of coin can be regulated by law, by means short of a maximum on the price of commodities, is evidently founded on a misunderstanding of the law; for in the case of De Yonge it was declared to be the opinion of all the judges present, " that the exchange described " on this record, that is, of guineas for Bank Notes, taking such " guineas at a higher value than they were current for, under " the king's proclamation, was not an offence against the 5th and " 6th Edward VI. upon which the indictment was founded."

for though it is true, that a variation in the comparative value of any two commodities, must, when unexplained, give rise to a doubt, whether the change proceeds from an increase in the value of the one, or a diminution in the value of the other; yet it does not appear that such a doubt can arise from a difference betwixt the value of paper and of the coin it represents.

Bank Notes, when differing in value with what they engage to pay on demand, cannot with accuracy be considered as a case of variation in the value of two several commodities. They are only engagements to deliver a certain species of commodity, and do not in themselves possess the character of a commodity.—A Note of the Bank of England, promising to pay one pound sterling on demand, being in truth an obligation to furnish the person who presents it, with a portion of gold certified by the mint stamp to contain one hundred and thirteen grains, troy weight, of pure gold, or a portion of silver, certified, in like manner, to contain seventeen hundred and eighteen grains and seven-tenths of a grain, troy weight, of pure silver; for the former is the quantity of gold that forms a pound sterling by the regulation in 1601, and the latter the quantity of silver forming a pound sterling, as fixed in 1728.*

* The quantity of standard gold and silver in a pound sterling is, of the former 123.273 grains, of the latter 1858.060 grains.

It is, however, strenuously maintained, by men whose habits lead the public to presume great knowledge on the subject, and whose errors, in the situation in which they are placed may produce the greatest national calamities, that the paper of the Bank of England is not diminished in value: that what is only an apparent depreciation of paper proceeds from a real augmentation of the value of gold: and these opinions require the most minute consideration, as they lead to consequences deeply affecting the interest of every individual, as well as the general welfare of the country.

If a note was issued promising to deliver on demand a yard of cloth, and specifying distinctly its quality and its breadth, it is obvious that such a note must partake accurately of the value of the cloth. It could never rise in value above the cloth; its value could never be depressed below that of the cloth, for the variations in its value must be regulated by the value of that article to which it must of necessity be equivalent.

From the habit of using Bank Notes when payable in coin on demand, as a measure of the value of commodities, and of giving them as an equivalent for the commodities so measured, it has been, by the vulgar, conceived, that they may possess a value of their own, differing in degree from that

of the pieces of gold and silver they promise to pay. But a note engaging to deliver a given quantity of gold and silver of a specific fineness, can no more possess value differing from that of the gold or silver it obliges the issuer to pay, than a note promising a yard of cloth, and specifying the breadth and fineness of it, can differ in value from the cloth.

The gold and silver which the one promises to pay, is generally used as a measure for the value of cloth and other commodities:—the cloth which the other promises to deliver is used as a commodity, of which we are accustomed to measure the value by means of gold and silver, the common measure of value resorted to in all civilized countries. We talk, therefore, of buying with the former and of selling the latter; and this mode of habitually expressing ourselves, creates an impression that the value of the gold, which in common transactions we assume to be fixed, is really invariable. Whilst to the cloth, the variations in the value of which we are accustomed to express, we attribute not only the changes of value which it undergoes, but also those that take place in the coin or gold by which it is measured.

This process of erroneous reasoning naturally creates a disposition to transfer the quality of possessing fixed value to notes payable in gold, whilst

on the same principle it gives rise to a feeling that the note promising a yard of cloth, must suffer the same fluctuations in value we are habituated to remark in the article it represents. Though in reality the note promising gold must vary in value with gold, from the power of commanding which it alone derives value, just in the same manner as the note engaging to deliver cloth is regulated by the value of that commodity.

In truth, a Bank of England Note possesses, and can possess no value, differing from, or independent of the coin it engages to pay; to state that it has a positive value varying from that of the coin, is to suppose that it possesses in itself a power of measuring value, and of acting as an equivalent, or, in other words, it is to bestow upon it those attributes which belong to the commodity it engages to deliver.

To maintain that a note promising to deliver a yard of cloth on demand, possessed on that account the qualities of that commodity, and was capable itself of being made into an article of clothing, would excite universal ridicule; yet it is difficult to say, how the reasoning that would lead to that conclusion can be considered as materially differing from the train of argument that must necessarily be resorted to, to vindicate the opinion that a note, promising a quantity of coin on demand, has a power of measuring value differing

from, and unconnected with that of the coin which it promises to pay.

If a person who sold paper was to adopt the practice of giving a small piece of gold, of the weight of seven grains, promising to deliver a quire of paper on demand, it is certain that such a piece of gold, whilst the paper continued to be delivered, to those who presented it, would secure the means of communicating with their correspondents. But if not being able to procure the paper the proprietor of the seven grains of gold was to attempt to use it as a substitute for the paper, he would soon be convinced that the gold possessed none of the properties of the material, which the person who issued it contracted to deliver. Yet if an engagement in paper to pay in gold could transfer to the paper the quality of measuring value, it would be difficult to discern why an engagement in gold, to pay a given quantity of paper, should not bestow upon the gold the qualities of the paper.

Till of late all this reasoning might have appeared superfluous,—the truth of the proposition it aims at sustaining was held to be indisputable. But when we are now told that Bank Notes are not depreciated:—that though they are not exchangeable against coin or gold, at the supposed advanced value of that metal, they nevertheless accurately represent the value gold coin enjoyed

previous to the restriction;—or the average value of gold coin for a certain number of years:* What is it but to attribute to Bank Paper the power of acting as an equivalent, and of being a measure of value, on a scale differing from that which coin affords, of which it falsely purports to be the equivalent?

---

* "To assert that Notes have fallen in value, because they have not risen with the precious metals, or that they have fallen compared with the currency of other countries, because they are not convertible at this moment, without loss, into them, does appear to me to be a most inaccurate state of the question, founded on a total misrepresentation of the first principles of our paper currency."

Lord Castlereagh's Speech on the Report of the Bullion Committee, p. 41.

"But," says Mr. Huskisson (p. 43), "It is said that gold is dear, Bank Notes cheap; but Bank Notes are of the same value as gold!" Thus stated the proposition certainly appears absurd, but we would just observe that it is a perversion of the following; that Bank Notes bear their usual proportion to the average value of gold, but that gold has now experienced a temporary rise of price in the home market above that average."

Review of Mr. Huskisson's Book, p. 24 *of the "British Review," (supposed to be the work of a person high in office.)*

"If ten ounces of gold now are worth as much as twelve ounces were before, why should the holder of notes receive now so much a greater value in gold than he did before? Or can it be said truly that he suffers an injustice, because he is not permitted to do so?"

Observations on the State of our Currency, by the Earl of Ross, p. 25.

It is these and similar assertions that have now rendered it necessary to establish, by argument, that Bank Notes, from the circumstance of their being engagements to pay a given quantity of coin or gold on demand, are, in respect of value, identified with coin: and that a difference of value from what they promise to pay can therefore only originate from a want of power in the notes themselves to secure the possession of it; for whilst they enjoy that power, and things that are equal to one and the same thing continue to be equal to one another, a guinea and a guinea-note must be equivalent.

If this statement is just, it seems as easy to comprehend why the value of a Bank Note may in consequence of this deficiency of power, be diminished in comparison of the coin it promises to pay, as it is difficult to conceive how such an alteration of circumstances in the Note can occasion a variation in the value of the gold; and it becomes impossible to imagine how it should augment the value of the gold, which, as we shall afterwards shew, must be banished from use in the country where such an occurrence takes place, and must, on that account, sustain a diminution of demand, which tends invariably to lower the value of every commodity.

It is with confidence, therefore, it is asserted, that the difference of value betwixt gold and Bank Notes, which never did exist, whilst they possessed the power of commanding coin, must arise from

the deficiency in the value of the Note, which has sustained this loss of power; and not from an increase in the value of the coin on which this alteration in the character of the Note can produce no effect.

It must also be remarked, that the accuracy of the opinion that Bank Notes possess an identity of value with the coin they promise to pay, and that this identity of value can in no degree be interrupted by a variation in the value of that portion of coin or gold which they represent, does not rest solely on general reasoning, for it is a proposition of the truth of which we have the most ample experience in the course of the last century.

Coin, and gold or silver, though the best and most accurate measures of the value of commodities from day to day, have themselves no fixed value. —The increase of the quantity of bullion is stated by Sir George Shuckburgh (who, in his reasoning, wisely considers the value of coin to be completely dependant on the value of the material of which it is made) to have reduced the value of coin more than one-half in the course of the last century:— eight shillings and five-pence halfpenny, in the year seventeen hundred, being, according to the calculations in his tables, equal to a pound sterling in eighteen hundred.

During the whole of this period, the Bank of

England were in the practice of issuing Notes payable in coin; yet, notwithstanding this great and gradual diminution in the value of coin, it never was suggested that there was, or could be, a difference betwixt the value of a Bank Note, and the value of that portion of coin it promised to pay.—Notes of the Bank of England were never supposed to represent abstract values. Bank Notes were always considered as representing one hundred and thirteen grains of pure gold, and seventeen hundred and eighteen grains of pure silver; and the doctrines now prevalent, that they represented the value those metals possessed ten years before, or their value on an average of a number of years, was never once thought of.

Yet it is impossible to imagine how Bank Notes should have assimilated themselves to coin during the whole progressive depreciation that took place in its value; and that they should assimilate themselves to thepast value of coin, or to its average value for a number of years, the moment it is supposed to increase in value: for it would indeed be a strange and unintelligible connection in respect of value, betwixt Notes and the coin they represent, if the former were always identified in value with the latter, when it remained stationary, or declined in value; and as uniformly assumed a distinct and determinate value of their own, the moment coin began to rise in value?

From this short analysis of the relation which Bank Notes bear to coin, it seems perfectly clear, that, in reference to value, they can only be regarded as if they were the identical portion of coin they engage to pay on demand: that nothing but a deficiency of power to command it can make them appear in any other point of view; and that, though this loss of power in Bank Paper may diminish the value of the Note, it cannot increase the value of the coin, which undergoes no change or alteration of character.

On this ground alone, therefore, the absurdity of conceiving that the difference in value between coin and Bank Paper arises from an increase in the value of coin, and not from a depreciation of Paper, might be rested. But as this is a question, on the decision of which must rest the character of the late proceeding in parliament in passing "An Act for making more effectual provision "for preventing the current gold coin of the realm "from being paid or accepted for a greater value "than the current value of such coin; for pre-"venting any Note or Notes of the Governor and "Company of the Bank of England from being "received for any smaller sum than the sum there-"in specified; and for staying proceedings upon "any distress by tender of such Notes;"—as well as the merits of the controversy in respect to the conduct of the Bank, its importance may be thought to require examination abstractedly from

the relation that bullion and Bank Notes bear to each other, and a statement of the grounds on which it distinctly appears;

1st, That coin and gold have not increased in value.

2d, That Bank Paper has got into a state of depreciation.

Before, however, entering into the discussion which is requisite to elucidate these two propositions, it may be proper to state what are now generally considered to be the circumstances that confer value, and what it is that regulates the rise or the fall of value in all commodities.

Nothing in itself possesses value;—the existence of that quality is perfectly independent of any characteristic inherent in the commodity that has acquired it. It is an attribute incident to all commodities that become the objects of mens' desire, and that conjoin with the circumstance of being useful or delightful to man, that of existing in scarcity.

It may be, therefore, truly stated, that value can only be conferred by exciting the desires of men for something that exists in a degree of scarcity; or by rendering scarce that for which, though unlimited in quantity, men naturally feel a desire.

These premises evidently lead us to conclude, that unless a substance could be found, subject to no alteration in its quantity, and uniformly exciting the same portion of desire, every thing valuable must be subject to variations in value.

It is also clear, that all such variations must be produced by one of four circumstances:

1st, A commodity must be subject to an increase of its value from a diminution of its quantity.

2d, It must sustain a diminution of value from an augmentation of its quantity.

3d, An increased demand must tend to create an augmentation of value.

4th, A failure of demand must give rise to a diminution of value.

Further, as it would be as impossible to attempt to measure, or to express the degrees of value which any commodity enjoys, by means of a thing that did not itself possess value, as it would be to have recourse to a mathematical point for a measure of dimension, the value of every commodity, when expressed in common language, must be subject to variation in consequence of eight different contingencies:

1st, From the four circumstances above stated, in relation to the commodity of which the value is to be expressed.

2d, From the same four circumstances in relation to the commodity adopted as the measure of value.

From this short detail of the principles on which the value, the variations in value, and the expression of those variations depend, it follows that there must be a marked difference in the nature of the variations to which commodities must be liable. Some will vary in value in one place from the value they possess at another. Some will be liable to sudden variations even at the same place; whilst others, subject to more gradual and slow variations, will always maintain nearly an equality in value in different places.

It is therefore of the greatest importance in the conduct of the exchanges of the superfluities of one man for those of another, to select as a measure of value and medium of exchange that commodity least subject to variation of value in the different places where the parties reside; and least likely to alter in its value within the short space of time in which the transaction is carrying into effect.

Gold and silver, from the ease with which their

precise purity can be ascertained, as well as their divisibility into pieces of different sizes, are eminently calculated to act as money; but these are properties they enjoy only in common with lead and other inferior metals. What they exclusively conjoin with these qualities is, the character of steadiness in respect to value within a short space of time, whilst they enjoy in a greater degree than any other commodity, uniformity in value throughout the world.

These are the attributes, which without any convention, or even implied agreement, have induced mankind in civilized society, universally to adopt gold and silver as the materials best suited for the matter of money.

When, therefore, we are told that gold has risen upwards of twenty per cent. within the limited space of two years, we are informed that it has suddenly lost that character for uniformity of value which mankind by their conduct had unanimously ascribed to it.—Nay, more, we are desired to believe that this metal is no longer subject to that slow, but steady diminution of value which experience has shewn (in consequence of its gradual increase in quantity being uniformly greater than the augmentation of demand for it) to be the character of those variations in value it has always sustained;—and to give credit to the assertion, that gold, in violation of every principle, had so far altered its na-

ture, as to have risen in value within the space of two years, more than other commodity.

Some general reasoning might have been expected from those who maintain this hypothesis, to explain the causes of such an extraordinary and sudden exception to this constant and invariable rule, by which, in the opinion of all who have written on the subject, the variations in the value of gold and silver had been guided.

But far from attempting to give any explanation or reasonable account of so improbable an alteration, there is not even the smallest uniformity in the statements of those who assert that this singular change in the value of these metals has taken place:—for some are of opinion, that it is on the continent of Europe that gold has so rapidly increased in value;—others, confident that a rise has taken place in this country, in the value of gold, admit (what indeed appears incontrovertible) that it has undergone no similar change abroad;—and there are not a few who endeavour to supply the total want of every thing like reason in support of their theory, by the ardour with which they announce the conclusion that both gold and silver have risen in value throughout the markets of the world.

That it is the great demand for gold, and its

increased value on the continent of Europe, which is the cause of its being withdrawn from this country, is an opinion supported by authority no less respectable than that of the Governor of the Bank of England, who in his examination before a select committee of the House of Commons, appointed to inquire into the cause of the high price of gold bullion, distinctly states his conviction, that it is the high price of gold abroad that has made our gold coin disappear from circulation in this country.

The committee in their report have themselves truly observed, that this opinion is unsupported by any detail of facts, and that it is contradicted by those who seemingly possess the greatest knowledge of the state of the foreign markets.* Besides, it is notorious that gold has not risen in a manner to authorize this opinion, either at Hamburgh or Amsterdam, where its value, as expressed in silver, which is the only legal tender, has experienced no alteration similar to what is supposed to have taken place in this country.

But in truth the speeches of two of the most

* See the examination of A. Goldsmid, Esq. and of John Lewis Greffulhe, Esq. annexed to the Report of the Bullion Committee.

strenuous advocates in favour of the present system of circulation,* recently published by authority, clearly demonstrate that neither the value of gold or silver have undergone any unusual or material variation on the continent of Europe.

In the former of these speeches, Sir George Shuckburgh's calculations are referred to, to shew that gold had diminished in value, betwixt the year 1797 and the year 1800; thus sanctioning the principle on which the value of gold is ascertained in these tables.

It is therefore impossible that the author of this speech can have been ignorant, that in these calculations, as published in the Philosophical Transactions, the depreciation of the value of metallic money, after making allowance for the various changes in the weight and alloy of our coins, is inferred from the rise in the price of labour, and of numerous articles of provisions.

That the reasoning on which this inference proceeds is equally applicable to the Continent of

---

* The Right Honourable George Rose, Treasurer of the Navy, Clerk of Parliament, and Vice-President of the Board of Trade—and Viscount Castlereagh, late one of His Majesty's Secretaries of State.

† Mr. Rose's Speech, page 20.

Europe, as to this country, is apparent: how then can any one who sanctions these tables with his approbation, deny, that if a rise has taken place in the price of commodities at Paris, where gold and silver almost exclusively circulate, these metals must have continued to sustain the same slow and gradual diminution in value, to which Sir George Shuckburgh has shewn they have long been subject. For it must be obvious that if gold and silver had really increased in value in the capital of France, to the extent of fifteen or twenty per cent. in consequence of that extended demand for them, which the Governor of the Bank has alluded to, provisions and other necessaries so far from rising in value, must, on the principle of these tables, have undergone a rapid diminution.

The penetration, however, of the Vice-President of the Board of Trade, who by licence now regulates the whole commerce of this country, has led him, in the act of maintaining that gold has greatly risen in value, to inform the public* that Monsieur Silvestre, in a report made to the Agricultural Society at Paris, in 1805, had stated the price of labour to be increased from one-third to one-half in different places of France, and that beasts of labour, and all articles requisite for a farmer's family, were augmented in the same proportion. Further, that Monsieur Daru had stated to the le-

* Ibid. p. 21.

gislative body, so late as the year 1810, that the difference betwixt the value of money at that time and the year 1791, was such, that the same income did not in January last represent more than two-thirds of what it did at the former period. Facts which conclusively prove, that the value of gold and silver money cannot have increased on the Continent of Europe.*

Thus the value of gold estimated in silver abroad:—the evidence of the merchants best acquainted with the state of the foreign markets;—and even the admission of those who are most eager in contending that the difference of value betwixt gold and Bank Paper proceeds from a rise in the value of the former, concur in making it evident, that the value of that metal has undergone no material change on the Continent.

If gold then has risen in value at all, it must be in the home market—and yet it requires very little reflection to discern the complete impossibility of there existing in this country a partial rise in the value of that metal to the extent of twenty or even of fifteen per cent.

---

* Lord Castlereagh in his Speech on the second reading of Lord Stanhope's bill, page 48, resorts to the same reasoning. Both these statesmen have extracted this evidence of the inaccuracy of their own argument from a pamphlet entitled "A "Review of the Controversy respecting the High Price of our "Bullion, and the State of our Currency." p. 35.

In the first place, there is against this hypothesis, the direct information of merchants, of the greatest character, whose statements distinctly establish, that notwithstanding the unfavourable state of our exchange with the Continent, the value of a pound of gold bullion, is exactly the same at Hamburgh and London,* and that there is only the small difference of seven shillings and sixpence in the value of a pound weight of standard gold betwixt Paris and London,† that is, it is

---

* *Extract of the Evidence of A. Goldsmid, Esq.*

What Bill on England could be purchased at Hamburgh, according to the last accounts of the course of exchange, for 100 ounces of English standard gold?

About £460.

How much English standard gold for exportation, could be purchased in London for £460.?

100 Ounces.

Then the price of gold at Hamburgh and the price of gold in London are nearly equal?

They are.

See also the Evidence of John Lewis Greffulhe.

† Seven shillings and sixpence is to £50. 19*s.* 5*d.* the value of a pound of pure gold, as fourteen shillings and eight-pence halfpenny is to £100.

Extract from the Evidence of A. Goldsmid, Esq.

You have stated that a guinea, or gold equal to what is contained in a guinea, is worth about 25*s.* at Paris; that is, a difference of £8. 18*s.* upon 44 guineas and a half; so that gold equal in weight to what is contained in 44 guineas and a half, would sell at Paris for £55. 12*s.* 6*d.* do you mean to say that the above quantity of gold would purchase at Paris a bill on London for £55. 12*s.* 6*d.*?

Nearly so.

What

nearly two-thirds of one per cent. higher at Paris, where it has been shewn, that it has not risen in value, than in London, where this rise in value is supposed to exist.

Secondly, it is impossible that any one, in the slightest degree conversant with the mere elements of political economy, can seriously believe that a commodity which abounds on the Continent, and which has disappeared from circulation in this country, can be higher by fifteen or twenty per cent. here, than it is in the foreign markets. For if gold was to desert the country where it was most valuable, and resort in abundance to that in which the least could be obtained in exchange for it, it would be a violation of the invariable rule, that every commodity finds its way to the market where its value is highest.

There are those, however, who maintain that the balance of trade and of payments, with the Continent of Europe, are at present so much against

---

What would a pound of gold in London cost, at what you have stated to be the present market-price of gold in London, namely £4, 12*s.* per ounce?

£55. 4*s.*

Does it not follow from what you have now stated, that the pound of gold in London and at Paris, is at present nearly of the same value, the difference being only 7*s.* 6*d.* per pound?

It does.

this country, as to make it impossible that gold or silver should remain in circulation, and to have occasioned the state of our exchanges, as well as the recent high price of bullion; and as this mode of accounting for the present state of our circulating medium is resorted to by almost all who have strangely discovered in the increase of paper, to which the restriction of cash payments at the Bank has given rise, an improved system for the conduct of the circulation of this great mercantile country; it seems necessary to go into a little detail, to shew how seldom it can happen, that the exchange resulting from the state of trade and payments can be so unfavourable to a country, as to induce the merchants (who must always be presumed to act upon the principles of securing the greatest profit) to export coin; and how impossible it is that this, or any country, should by such means be drained of its metallic currency.

That the exchange seldom can fall against any country to the extent of making it profitable to export the circulating coin, is one of those propositions that has been rarely controverted; and it is often more difficult briefly to establish by argument what has generally been received as self-evident, than to give a short view of a question which has usually been the subject of controversy. Fortunately, however, this long received opinion may be illustrated without entering into very tedious details.

Let us suppose, as was asserted by the merchants examined in the year 1797, when the restriction on cash payments was imposed, that the expence of sending bullion to Hamburgh, was three and a half per cent.; from this statement it is evident that gold could not be conveyed from England to Hamburgh, the exchange being unfavourable to the extent of three per cent. without a loss of a half per cent.

Before, however, the exchange could fall even to three per cent. there must have been so many efforts on the part of the merchants to rectify it, in consequence of the encouragement an unfavourable exchange, founded on the balance of payments, always must give to the exportation of commodities, and the effect it must have in preventing the importation of them, that it is hardly possible it can ever fall so low, if uninfluenced by the circumstance of great remittances from political considerations.

For example, if five per cent. is deemed a fair mercantile profit, without which a merchant cannot have a proper return, on a cargo carried from England to Hamburgh, it is obvious that as long as the prices of cloth in England and at Hamburgh are such as to give only a profit of three per cent. on the resale, an exportation of cloth from England to Hamburgh cannot take place, if the exchange is at par;—but if, beside

the profit of three per cent. on the cloth, there is a profit of two and a half per cent. on the exchange, that is, if a bill on London for one hundred pounds can be purchased at Hamburgh for ninety seven pounds ten shillings, then cloth will be immediately exported, because the profit by the exchange, and the profit by the cloth, will, when combined, afford a profit upon the transaction of no less than five and a half per cent.

On the other hand, suppose the difference of the price of German linen at Hamburgh, and in London, to be such as to afford a profit of six per cent. when resold in England, still, as before the money could be returned to Hamburgh, there would be a loss of two and a half per cent. one hundred pounds in London producing only ninety seven pounds, ten shillings, at Hamburgh, it is obvious linen could not be carried to England, because instead of producing five per cent. which is assumed to be the fair mercantile profit, the transaction combining the gain upon the linen, and the loss on the exchange, would only afford a profit of three and a half per cent.

Thus, before it can happen that the real exchange, arising from the balance of payments, can fall so far as to make it possible for a merchant to export gold without a loss, there must be a want of commodities in the country, which on exportation will afford a profit, such as when com-

bined with the rate of exchange, holds out the prospect of a fair profit to the merchant; for, as long as there are commodities of that description, they must be conveyed in preference to gold; and every such exportation co-operates with a necessary diminution of imports, as above explained, to equalize the balance of payments: and by thus rectifying the exchange, to prevent the possibility of gold being exported without a loss.

It may however be said, that admitting all this political arrangements may give rise to the necessity of expenditure abroad, to such a degree as to occasion the continuance of an unfavourable exchange, even after the various commodities of a country have been conveyed to an extent, that their abundance in the country that receives them, prevents their returning any profit to enhance that which the exchange affords:—that this is the situation of this country,—and that under such circumstances bullion must be exported.

But, even granting this statement to be true, it is in the nature of things impossible that the practice of exporting bullion, as a means of restoring the balance of payments, should be long pursued, either in this or any other country;—and it is most completely impossible, that it can be carried on for that purpose so as to deprive any country of its current coin in circulation. For the quantity of the coin of a country that can at any time be with-

drawn from circulation to effect this object, is small indeed, as must be obvious to those who reflect, that the moment gold begins to be exported the value of that which remains must increase, or, in other words, the value of all the commodities in the country must diminish; and of course, that they will again present themselves to the foreign merchant in a state, such as combining the probable profit on their exportation with the profit on the exchange, will make it once more a loss to him to export bullion.

It is also clear, that if from political causes, a necessity for further payments should again fill the foreign markets with our manufactures, to an extent that rendered them incapable of being profitably exported, and that the exportation of gold should be reverted to;—the moment a little more of our gold is withdrawn, a further reduction of the price of our manufactures would again make the exportation of gold the least profitable means of paying a foreign debt.

Thus, before any country can be drained of its gold, by an unfavourable balance of foreign payments, the commodities of its growth and produce must in the progress of this operation be reduced in value to a mere trifle.

Such is the reasoning that seems to justify the opinion formerly held by practical merchants of the

greatest eminence,* that no country can suffer a great diminution of its coin from the state of the exchange, arising out of an unfavourable balance of payments ;—for the moment such an exportation commences, a fall in the price of commodities, in consequence of the rise in the price of gold, will ensue, which must be a check to the practice; as the superior profits that will arise from the state of the exchange, and the further reduced price of goods, must induce merchants again to recur to the more profitable channel of merchandise for conveying their remittances.

But by those who wish to prove that the difference betwixt the value of gold and paper arises from an advance in the value of gold, all reasoning concerning the commercial relation of one country to another, however just in the usual state of things, is held inapplicable in the present state of Europe.

They regard the ports of the Continent as hermetically sealed; and representing this country as unable to force the articles with which she would discharge her obligations, through the barrier political circumstances has interposed, ascribe to the commercial decrees of France the power of pre-

* See the Evidence of Mr. Winthorpe, one of the Directors of the Bank of England.—*Irish Exchange Report*, p. 38.

venting our manufactures from making their way to a foreign market, and of rendering the exportation of coin inevitable.*

That this country could be drained of its coin

---

* Unlike, as in former times, when the intervention of neutral states, or the ingenuity of our merchants, made exportation, even in a period of war, little liable to obstruction, England is now with teeming warehouses, unable to force the articles, with which she would discharge her obligations, through the barrier which political circumstances have interposed.

The Principles of Currency and Exchanges, applied to the Report from the Select Committee of the House of Commons—(Supposed to be the Work of an eminent Banker.) page 43.

I am, on the contrary, ready to admit that the adoption of such a measure can only be justified by an adequate necessity. In the present instance, what is the fact? That the ruler of France has determined, at the price even of inflicting commercial ruin upon those over whom he rules, to exclude your trade from the Continent. If he does not succeed effectually in doing so;—if much still finds its way, his system has had the effect; comparatively at least, of turning the balance of intercourse against us, and thus influencing the exchange. His decrees are less effectual to prevent the produce of the Continent from finding its way to us, than in excluding our produce from the Continental Markets. Hence an obvious cause of an unfavourable exchange. In ordinary times, the immediate effect of such an unfavourable exchange would be, by a reduction of price to the foreign consumer, resulting from the advantage of the exchange, to force out a greater proportion of our manufactures:—the quantity of bills would be thereby augmented,

cannot be admitted, even if the statement of facts were accurate from which this inference was drawn. But is it true that British produce and manufactures have been totally excluded from the Continent? Does it not, on the contrary, appear from the accounts before Parliament, that in the last two years, during which the exchanges have become so unfavourable, and bullion has risen to so great a value in Bank Notes, as to make our coin disappear from circulation,—there has been a greater increase of our trade,* and even of our

---

mented, and the precious metals would, in but a comparatively small amount, be sent abroad. So long as goods could be applied to settle the account, the price of bullion would not rise materially above its natural price. But now goods cannot be sent as in ordinary times.

Speech delivered by Lord Castlereagh, May 8, 1811, *page* 26.

* Official Value of Exports from Great-Britain in the following years:

Years.	*British Produce & Manufactures.*	*Foreign and Colonial Merchandise*	*Total.*
Ending 5th Jan. 1806	£ 25,004,337	£ 9,950,508	£. 34,954,845
1807	27,402,685	9,124,499	36,527,184
1808	25,190,762	9,395,283	34,586,045
1809	26,691,962	7,862,305	34,554,267
1810	35,104,132	15,182,768	50,286,900
1811	34,940,550	10,945,309	45,885,859

Average Annual Export, as appears from this table during the first four years £35,155,585

Average Annual Export of the last two years . 48,086,379

Increase during the last two years £12,930,794

exports to Europe, than at any former period?*

This extension of our trade can indeed be surprising to no one, who has with any degree of attention examined the effects of an increase of circulating medium; for the commerce of this country in the end

---

* Official Value of Exports from Great Britain to the Continent of Europe in the following years:

Year 1805	£15,465,430
1806	13,216,386
1807	12,689,590
1808	11,280,490
1809	23,722,615
1810	19,606,706
The average Annual Exportation to Europe appears from this Statement to have been, years 1805-6, 7, and 8 . . .	£13,162,974
The average Annual Exportation during the last two years, is	21,664,660
Excess, years 1809-10	£8,501,686

From the Report of the House of Lords on the Bank, 1797, it appears (page 254) that the whole Annual Exports, during the last peace, to France, Flanders, Holland, and Germany, did not exceed five million, four hundred thousand; so that the annual excess of our exports to Europe during the last two years, exceeds, by nearly three millions, the total amount of our exports to these countries during peace.

of the century before last,* as well as that of our American colonies in the middle of the last century†—the recent increase of transactions in

---

* When in the order that is adopted, the state of the circulation of this country in 1695-6, comes to be explained, and it is shewn that the Bank of England from circumstances, was at that time as at present, practically relieved from all demands for cash payments, ample authority will be given to shew the extension of paper money, and the consequent augmentation of commerce even during the expensive war in which this country was then engaged.

† We are told by the author of the Discourse concerning the Currency of the British Plantations (page 38) that "the fallacy of "quantities of Paper Money has increased our superfluous imports "much beyond what was in former times. The seeking factors "upon a large emission advise the merchant in Great Britain, that "money being now very plenty, a large quantity of goods will "sell: accordingly, a glut of goods is sent to New England, more "than can be sold for ready money and short credits; the con-"sequence is, a long credit, with its consequential multitude "of evils."

The plan of this author's work is to state what has been said in favour of an extended circulation of paper in America, and then to reply to it. In the following passage it will be found that both he and his adversary agree in the fact, that it has produced an extension of expenditure, and consequently an increase of trade.

The goodly appearance which Boston and the country in general, at present make, in fine houses, equipage, and dress, is owing to paper money. All our plantations, from some infatuation are inclinable to run into prodigality, profuseness, and shew: their paper loans

Ireland*—and the extravagant augmentation of all sorts of mercantile adventure from increase of demand, during Mr. Law's operations in France,†

---

loans (from public or private schemes) upon long periods, give the unthinking and unwary opportunities of involving themselves, by thus sinking what they have borrowed; by repeated emissions they have opportunities of paying a former debt, by running further in debt, till at length they become insolvent.

Discourse on the Currency of the American Colonies, p. 39.

* See the Evidence of Mr. French, (Irish Exchange Committee, page 131) ascribing the increased importation of goods to the extension of credit, since the augmentation of paper; and stating an instance of an individual increasing his imports from £10,000, to £80,000. per ann. which he never could have done under any other circumstances.

† The following description of the extravagant demand for commodities at Paris, during the year 1719-20 is extracted from the History of Mr. Law's System.

Quant à ces hommes nouveaux dont il est fait mention, se trouvent extrêment chargés de papier, ils se donnerent tous les mouvements imaginables pour le réaliser; ce qui fit monter à un prix excessif toutes les choses nécessaires à l'entretien de la vie. Les Merchands vendirent jusqu' à vingt cinq écus l'aune de drap, qui ne valoit auparavant que seize à dix-huit francs; le velours, les étofes de soye, et autres merchandizes à proportion. Les loyers des maisons étoient exorbitans, la façon de toute sorte d'ouvrages se payoit au triple; il y avoit des piéces d'orfèvrerie, dont le prix du travail excedoit deux fois la matière; enfin tout étoit totlement bouleversé, que les gens sensés ne sçavoient même plus à quoi s'en tenir.

Il faut remarquer que la ruë St. Honoré que ci-devant auroit fourni de quoi vêtir superbement toute la France et les voisins, se trouvoit alors comme epuissée; sur-tout on n'y voyoit plus de velours

shew that it is a uniform consequence of an over-issue of paper money.

The augmentation of our commerce is indeed great; but great as it is, it cannot appear extraordinary to any one, who has maturely considered the necessary effects of a great increase of paper in a country, where the habits of extended credit betwixt man and man, and all the numerous devices to economize the use of circulating medium, must render any addition infinitely more efficacious.

Lord Liverpool, in his letter to the King on the Coin of the Realms, states that, " when the situa-
" tion of the Bank of England was under the consi-
" deration of the two Houses of Parliament in the
" year 1797, it was his opinion, and that of many
" others, that the extent to which paper currency
" had then been carried, was the first and principal,
" though not the sole cause of the many difficulties
" to which that corporate body was then, and had
" of late years, from time to time, been exposed

---

velours, ni d'étoffes d'or; le commencement de l'hiver avoit emporté tout ce qui s'en étoit trouvé dans les magazins. Cette saison, si triste d'ailleurs, avoit, du tems du système, plus d'eclat et de brillant que le plus beau printems d'aujourd'hui, soit par les habits de velours de toutes les couleurs, doublés de tissues d'or et d'argent, soit par les galons et les broderies magnifiques: quant aux pierreries, leur éclat éblouissoit les yeux aux Cours et aux spectacles; et le nombre de nouveaux Carosses mis sur pied, paroît aujourd'hui, incroyable à ceux à qui on le raconte.

" in supplying the cash occasionally necessary for " the commerce of the kingdom."*

He further adds, that " it seems to have been " discovered of late years in this country, that by " a new sort of alchemy, coins of gold and silver, " and almost every other sort of property, may be " converted into paper; and that the precious me- " tals had better be exported, to serve as capital to " foreign countries, where no such discovery has " yet been made. But this new sort of fictitious " capital, thus introduced within the kingdom, has " contributed more than any other circumstance to " what is called *over-trading*, that is rash and in- " considerate speculations, and what is almost " a necessary consequence, unworthy artifices to " support the credit of adventurers already ruined; " as well as other evils, which tend to corrupt the " morals of the trading part of the community, " and to shake the credit on which, not only paper " currency, but the internal commerce of the king- " dom is founded."†

---

* Lord Liverpool's Treatise on Coin, p. 222.

† Ibidem, p. 228. In relying upon what Lord Liverpool has said with regard to the state of our paper circulation, it is not intended to express any approbation of the opinions contained in his Letter to the King on the subject of the Coin of these Realms. On the contrary, the arrangement recommended in this letter, of making gold the sole legal tender, and of taking a per centage from the real value of the silver coined at the mint, equal

Yet at the former period to which Lord Liverpool alludes, the circulation of the Bank of England had never, for any length of time, exceeded eleven millions,* and the number of country banks who issued notes payable on demand, were only two hundred and thirty.† At present the circulation of the Bank amounts to upwards of twenty-three millions;‡ and in the year 1810 there were not fewer than eight hundred and eighteen establishments that had taken out licences for the circulation of their paper.§

Even since the publication of the letter to the King, the circulation of the Bank of England has wonderfully increased; nay, since the end of the year 1808, there has been an augmentation in the cir-

---

equal to the charge of workmanship, is regarded by the author of this tract as likely to be prejudicial; whilst he is disposed to deny both the accuracy of the reasoning used in recommending it, and of the facts on which that reasoning is founded.

* See the accounts annexed to the Report of the House of Lords and Commons, 1797.

† See Mr. Ellison's Evidence, Report of the House of Commons, 1797, p. 121.

‡ By an account delivered to the House of Lords, of the amount of Bank of England Notes in circulation, on the 25th of each of the last six months, distinguishing the amount of those above and below five pounds, dated 5th July, 1811, it appears, that on an average the total circulation of Bank Notes amounted to £23,421,866.

§ See an account of the number of licences for the issue of promissory notes payable on demand, delivered to the House of Lords by the Stamp Office, 4th July, 1811.

culation of that Bank, to the extent of nearly six millions, whilst from every information that can be obtained, the issues of private banks have more than proportionally augmented, so that it is hardly possible to estimate the increase of paper thrown into circulation, even within these last two years, at so small a sum as twelve millions.*

---

* Average amount of Bank of England Notes, as already stated for six months, ending July 1811 £23,421,866
Average amount of Bank of England Notes in circulation in 1808 17,534,580

Increase of Bank of England Paper in two years £5,887,286

By Law, Country Bank Notes of Five pounds and upwards cannot be issued for more than three years after their first emission. Notes of one and two guineas are also presumed, on the information stated by the Bankers themselves to the Treasury, when the law was passed, to be worn out in that time, so that the value of notes stamped within three years must give nearly the amount of Country Bank Notes in circulation. Estimated by this criterion, the comparative amount of Country Bank Notes, on the 1st of January, 1809, and the 1st of January, 1811, will be as follows:

Country Bank Notes, 1st January, 1811 . £32,961,169
Country Bank Notes, 1st January, 1809 . 24,473,184

Increase of Country Bank Notes in the last two years £8,487,985
Add increase of Bank of England Notes within two years as above £5,887,286

Total increase of paper within two years . £14,375,271

If then "overtrading, that is rash and inconsiderate speculations, and unworthy artifices to support the credit of adventurers already ruined," was solemnly announced to the sovereign in 1805, as the necessary consequence of the extent to which the paper circulation of the country had been then carried, is it extraordinary that the unparalleled increase of Bank Paper which has since taken place, should have overpowered even the energy of the Emperor of France, and that our exports to Europe should have increased in defiance both of the war and of his decrees?

The public are much indebted to the Select Committee of the House of Commons, for the the care and attention with which their Report on the high price of gold bullion has been framed. But with all due admiration of the luminous manner in which they have illustrated many of the important doctrines contained in that Report, it is impossible to agree to the position, that the first advance of Bank Notes, by way of discount, if given to safe hands, is always an operation useful and beneficial to the public: this may be a natural result of the opinion which the Committee seem to entertain, that the moment the notes advanced to the discounter, pass into other hands, they cease to act as capital, forming merely an addition to the currency or circulating medium.*

* In the first instance, when the advance is made by Notes paid

Surely, however, a little more reflection must have convinced the intelligent members of that Committee, that in all cases of an over-issue of paper, when notes pass from the hands of the person to whom they are advanced by way of discount, far from ceasing to act as capital, they have only performed the first and least important step of the career they habitually run, in accomplishing that mischief to the public, which in their capacity of capital they are doomed to inflict.

In the usual routine of the monied transactions of this country, whenever Bank Notes are received from the Bank in discount, they are either lodged by the person who receives them, or the person to whom he immediately pays them, in the hands of

---

paid in discount of a bill, it is undoubtedly so much capital, so much power of making purchases, placed in the hands of the merchant who receives the Notes; and if those hands are safe, the operation is so far, and in this its first step, useful and productive to the public.—But as soon as the portion of circulating medium, in which the advance was thus made, performs in the hands of him to whom it was advanced this its first operation as capital, as soon as the notes are exchanged by him for some article which is capital, they fall into the channel of circulation as so much circulating medium, and form an addition to the mass of currency.

Report of the Select Committee on the high Price of Bullion, p. 23.

a banker.* By an extra issue of Bank Notes, therefore, as the increase in the number of notes is no reason for any individual keeping any more money in his drawers or in his pocket;—Bankers in general must have a sum in their possession, large in proportion to the extent of our paper currency: and as the profit of a banker arises from using the money deposited, he must naturally wish to enlarge those accommodations by discount and otherwise, which form the source of his profits.†

---

* I ask my reader, what sum of money, what value in the circulating medium of the country, whether of gold and silver, or of notes, he keeps in his pocket or in his house? The answer must necessarily be, from one, a little more; from another, a little less; but from the richest to the poorest, from the highest to the lowest condition, there will be admitted to exist this governing rule: A constant desire that the actual sum so kept should be as little as the convenience or supposed necessities of the individual will admit.

The Principles of Currency and Exchanges applied to the Report of the Committee of the House of Commons, (supposed to be the work of an eminent Banker,) p. 10.

† But these very men (meaning Commercial men) carry no more money about their persons when they have obtained such loans than they did before; they lock up no more in their strong chests. If they pay the amount to their banker, or to any former creditor, or if they pay it away in open market, it becomes the immediate care of the party who receives it, not to allow the sum, whatever it be, now placed in his custody, to remain unproductive and at his hazard.

Ibidem, p. 12.

The moment, however, the person who borrows this additional sum in notes from those in whose hands it has been deposited, disposes of them in the purchase of goods or securities, with a view to acquire a profit, either real or ideal; or pays them away for any other cause; the notes from similar motives are again returned into the hands of the same, or some other banker, and his conduct being regulated by similar principles, an attempt will be immediately made to renew the operation of lending them out as capital, which in point of frequency of repetition, seems only to be limited by the rapidity with which money may be spent, or sales of goods, and transfers of commodities, can be effected.

It is plain, then, that under our improved system of conducting money transactions, a small excess of Bank Notes thrown into the circulation, must in their character of capital, give a wonderful degree of facility, or rather of encouragement to mercantile adventure.

Mr. Bosanquet, in his Practical Observations on the Report of the Bullion Committee, states that "£50,000. may pass successively through the "hands of every banker in Lombard-Street, and "absorb in its passage all the best bills in the "market, to an unlimited amount; for if A. a "merchant, borrow it of B. a banker, he immedi- "ately pays it away to C. who deposits it without

" loss of time (indeed, as I before observed, he ne-
" ver withdraws it) with the same or other banker;
" but however often this transaction takes place
" during the day, it makes no real deduction in the
" supposed excess of notes, which will be as super-
" abundant after the last discount it has effected
" as before the first."*

If then, in the estimation of this great practical authority, fifty thousand pounds of Bank Notes could in one day effect in their capacity of capital such a multiplicity of real transactions, who can doubt the irresistible influence the present state of things must have in encouraging all sorts of adventure, when an excess of more than twelve millions must be at all times lying at the disposal of the bankers and monied men throughout the country, of which they must naturally be anxious to make a profit.

But it may be thought that there is a sufficient security against the temptation this state of things affords, both to the banker and the mercantile adventurer, in the integrity of the merchant, which will prevent his engaging in desperate and unproductive projects with the funds of others; as well as in the cautious advances of supplies, which must

* Page 58.

and ought to distinguish the conduct of bankers in regard to money transactions.

He is ignorant, however, of the spirit which guides those concerned in modern mercantile enterprizes, who thinks that any thing can restrain the desire of adventure encouraged by the prospect of ideal profits, to which the power of commanding the capital of others gives birth; and the integrity of those concerned in the conduct of our commerce, can now afford but a slender security; for since the introduction of the licence system, the trade of this country, instead of being a scene of *fair* and honourable transactions, as was long the boast and pride of British merchants, has become a labyrinth of mystery and fraud, "conducted (as Sir William Scott says) "by simulation and dissimulation."* and protected almost in every step by the perjury of those who are concerned.

Little, therefore, as the integrity of men, whose minds are trained to the conduct of trade, under

---

* See judgment in the case of the Eolus, August 8, 1810. Lord Bacon tells us, that the great disadvantage of simulation and dissimulation is, "that it depriveth a man of one of the most "principal instruments of action, which is trust and belief;" if Sir William Scott, in using this expression, had Lord Bacon's Essay in his recollection, what a sad opinion he must entertain of a system of commerce that tends to render the merchant unworthy of trust.

such a system, can be depended on to protect the country against the temptations to mercantile adventure, afforded by such an overflow of fictitious capital; still less security does the nation derive against such practices from the caution which a proper regard to his own interest may be supposed to instil into the conduct of the banker; for in truth his operations may be carried on to an extent ruinous to the country, without any danger to himself.

Under our former system of circulation, when the necessity of payment in cash on demand formed a proper check to the extension of commercial transactions, that security which the laws of this mercantile country afforded to the holder of bills, was undoubtedly highly advantageous and beneficial. But these regulations, under our present system of circulation, when the unlimited issues of paper must drive those, in whose hands, in the course of business, it must be deposited, to exert their ingenuity to find means of disposing of it, so as to secure a profit, can only be regarded as affording a dangerous encouragement to the accommodation of speculative adventurers.

If the drawer, the acceptor, or any of the indorsers of a bill are solvent when it becomes due, the holder must receive payment; and even, if all of them are bankrupt, he can prove against their several estates, receiving dividends from each, till

he is paid in full;—thus it may often happen, that the holder of an accommodation bill receives the full amount of his debt, whilst the creditors of the various parties, on the security of whose names he discounted it, may not receive half-a-crown in the pound.*

It is with confidence, then, that under these circumstances it is left to the decision of the public, whether there is any thing extraordinary in this appearance of extension of commerce, which the accounts communicated to Parliament exhibit: for the only decision that reason can justify any man in anticipating is, that the extension of the trade of a country, even if unprofitable, must be the necessary result of a system of commerce, which at once encourages adventurers and corrupts the minds of those who engage in trade, combined with a system

---

* By the Law of England, the holder of a Bill (upon which the drawer, acceptor, and any number of indorsers, are all become bankrupts) is entitled to prove, under the separate commission of each, the full amount due to him at the time he makes his proof; and to receive dividends under each commission, upon the sums proved, until he shall in the whole have received the full amount. If at the time of going to prove under one commission, he has already received any part of the bill, he can only prove for so much as remains. But if after having proved for the whole, he receives a part of the bill from any of the persons liable to pay it, he is still entitled to a dividend upon the whole, provided it does not exceed twenty shillings in the pound upon such part as remains due.

of circulation, which, whilst it takes off the salutary check against the superabundance of paper, afforded by payment of cash on demand, leaves that encouragement to accommodation which our laws wisely held out under different circumstances, to operate on the transactions of the monied interest, at a time when, within two years, they must have received an increased issue of more than twelve millions of paper into their hands.

If any one is disposed to doubt that this is the real and the sound explanation of all the various phenomena which our commerce has recently exhibited, let him reflect on the numerous lists of mercantile adventurers, the extension of whose transactions have rapidly outrivalled those of the best known and most respectable commercial establishments, though their names are only now to be heard of as bankrupts recorded in the Gazette ;* and then let him consider whether by any other means it is possible to explain the occurrences we have within these few years witnessed.

---

* *Bankrupts gazetted in the following thirty-five years:*

1777 . 609	1786 . 496	1795 . 704	1804 . 884
1778 . 692	1787 . 501	1796 . 735	1805 . 958
1779 . 523	1788 . 718	1797 . 866	1806 . 994
1780 . 448	1789 . 561	1798 . 724	1807 . 1067
1781 . 445	1790 . 583	1799 . 557	1808 . 1101
1782 . 559	1791 . 612	1800 . 736	1809 . 1110
1783 . 539	1792 . 625	1801 . 884	1810 . 1792
1784 . 539	1793 . 1299	1802 . 947	1811 . 2044
1785 . 511	1794 . 824	1803 . 920	

It is painful to perceive, and still more to disclose such a change in the character of our commercial transactions, from those times in which, not in this country only, but throughout Europe, honour, justice, and integrity, formed the proud characteristics of our merchants. It seemed, however, a necessary detail to support the credit of the accounts of our exports, which so distinctly prove the error of those who have regarded the diminution of our export trade to the continent as the cause of our coin disappearing.

At all events, it is in vain to object to the inaccury of the information which these accounts convey concerning the real value of our exports. The objection, even if it were founded, is inapplicable to them as evidence of what they are here cited to prove; for they are only referred to, to shew that there is no insuperable barrier to the export of our goods; that, on the contrary, in comparison of former years, our export within these last two years has been excessive; and these accounts of the Inspector-general of Imports and Exports, have been at all times relied upon by official men, as giving an accurate comparative view of our commerce.*

* See Mr. Pitt's annual Speeches on opening the Budget, who invariably states these accounts as giving an accurate comparative

It appears, therefore, difficult to suppose on what ground any one can imagine that a rise in the real value of gold and silver has taken place either on the continent of Europe, or in this country.—That they have not risen abroad, seems to be established beyond the possibility of doubt; and it is as impossible to suppose, that a local rise of their value in our market could occasion their being totally withdrawn from this country, as it is to believe that the causes to which this supposed rise in value is ascribed, could have produced the effects attributed to them.

But of all opinions the most extravagant, seems to be that which announces an augmentation in the value of these metals throughout the world. It is indeed most strange, that a rise in the value of gold and silver to the extent of twenty per cent. should have been stated in this enlightened age as a thing possible.—For a moment's reflection on the general principles that regulate the value of commodities, in the accuracy of which all are agreed; and on the peculiarities attending gold and silver which occasion that uniform depreciation they have sustained, and always must sustain, seems sufficient to produce a conviction, that nothing short of a miracle could

---

tive view of our trade. See also Report of the Committee of the House of Lords, on the state of the affairs of the Bank, 1797, drawn up by the late Earl of Liverpool.

produce so extraordinary a change in the nature of things.

The use of gold and silver, unlike that of grain and many other commodities, that serve for the sustenance, and contribute to the comfort of the human species, does not imply the consumption of them. These metals, even by receiving a form that adapts them for use, do not, like cloth, timber, and many other things, lose the power of resuming their state of raw materials, and as they can at all times be reduced when convenient into this form, the quantity of them, that either is or can be consumed, must be smaller than that of any other commodity.

On the other hand, though the amount of the annual augmentation of these metals has in the course of ages, been sometimes greater and sometimes less, yet it has been constant, and of late years the supply from Europe and America alone has been calculated to amount to upwards of nine millions.* It follows, then, that nothing but an increase of effective demand, proportioned to this constant augmentation of the quantity, can possi-

* The two following Estimates of the value of Gold and Silver produced annually, are taken, the first from Garnier's Notes on Dr.

bly sustain the relative value these metals bear to that of other commodities.

That under these circumstances they should have

Dr. Smith's Wealth of Nations; the second from Humbold's Statistical Account of New Spain.

FIRST ESTIMATE.

Mines.	*Marcs D'Argent.*	*Marcs d'Or.*
De Russie . .	80,000	3,200
De Hongrie . .	92,000	4,666
De Suède & de Norwège . .	15,000	
De France . .	3,000	
De Piémont . .	2,300	
De Saxe . . .	50,000	
De Hartz . . .	37,000	
De Magdebourg	3,000	
Argent	282,300	Or 7,866

L'Argent évalué à 52 par le marc . . 14,679,600 fr.
L'Or à 780 fr. le Marc 6,135,480

PRODUIT DES MINES DE L'AMERIQUE.

Amérique Espagnole . .	159,000,000	209,000,000
Brésil	50,000,000	
Produit total des mines d'Or & d'Arg. .		229,315,080 fr.

* In reducing this sum to English money, at the rate of six francs, sixteen cents, to the sterling crown, or twenty-four francs, sixteen

for centuries invariably suffered a gradual diminution in value, without a trace of their having at any time sustained a rise in value, cannot appear surprising; especially when we recollect, that increasing opulence and credit tend to supersede the necessity of so frequently resorting to the use of coin, the chief source of the demand for them; and that mankind, ever attentive in the progress of improvement to devise means of saving labour, or expenditure, which from its power of commanding labour, may be regarded as the same thing, have

---

sixteen twenty-fifths of a franc to a pound sterling (the proportion fixed in the Imperial Almanac for the year 1810) the total value of Gold and Silver drawn from these mines is £9,326,910. 14*s.* 3*d.*

SECOND ESTIMATE.

Countries.	*Gold.*		*Silver.*		Value of both in Francs.
	Kilo-grams.	Value in Francs.	Kilo-grams.	Value in Francs.	
Europe . .	1,297	4,467,444	52,670	11,704,444	16,171,888
America .	17,291	59,557,889	795,511	176,795,778	236,353,667
North Asia	538	1,853,111	21,709	4,424,222	6,677,333
Total	19,126	65,878,444	869,960	193,324,444	259,202,888

Reducing this sum to English pounds, on the same principle as has been already adopted, it amounts to £10,519,597. 14*s.* 6*d.*

These Estimates do not include the Gold and Silver collected in China, Japan, Tonquin, Central Asia, and the interior of Africa, but exhibits the whole amount of the precious metals brought annually into the commerce and circulation of Europe.

been and are in the constant habit of studying with success the means of economizing the use of coin.

What reason then has been suggested;—what reason can be given sufficiently forcible to authorize the belief that these metals, (the cause of the gradual depreciation of which is so obvious,) have, within these two years, suddenly ceased to suffer that loss of value, which it is admitted they have slowly but uniformly and progressively sustained, to an extent, that eleven-pence and twenty-nine two hundred and eighty-one parts of a penny, are represented in the year 1050 to be equal in value to a metallic pound in the year 1800, that is, that one pound sterling at the former period was equal in value to twenty-one pounds, twelve shillings, threepence-halfpenny, and ten thirteenths of a farthing at the latter.*

---

* It is singular that many of the advocates for the present system of circulation, who in former publications have talked with enthusiasm of the Tables published in the Philosophical Transactions, by the aid of which these calculations are formed, now attempt to make quibbling distinctions on the subject, and even to controvert the principle they applauded.

Mr. Chalmers, for example, the author of the Considerations on Commerce, Bullion, and Coin, has the following note in that part of his Estimate of the Commerce of Great-Britain in which he treats of the increase of the Civil List.

"The historian of our Revenue (Sir John Sinclair) does not distinctly

But even this is a weak and imperfect statement of the difficulties which must be encountered by those who contend that the difference betwixt

---

" distinctly state that arrangement which comprehends the royal " grace and the parliamentary engagement. The learned ba- " ronet, however, recapitulates the various sums which, from time " to time, have been paid, in supplementary aid of the Civil " List; and at length infers, that the total, during the space of " twenty-eight years, amounts to £923,196. *per annum.* But his " sagacity seems not to have perceived, that the depreciation of " money was out-running the annuity; and his algebra did not " discover, by computation, that £923,196. in 1786 were not " equal, in power of purchase, to £800,000. in 1760: in fact, " according to the table, and the principles before-mentioned, an " annuity of £900,000. was equal in its energies, during the year " 1760, to an annuity of £1,478,947. 7*s.* 4*d.* in 1800. Now " the *mathematics* cannot be outfaced by confidence, nor out- " argued by declamation."

Without commenting on the indecent degree of contempt with which the author of the Considerations on Commerce, Coin, &c. has in this passage treated the person who must be considered as his leader in the attack on the Bullion Committee—it is impossible not to observe that he himself has been guilty of what he whimsically calls outfacing mathematics with confidence, or outarguing them by declamation, in the following passage (p. 121,) of his recent publication:—

" It was reserved for the late Sir George Shuckburgh, to re- " duce this enigmatical subject (the depreciation of money) to " a sort of system: but the true and the parliamentary language " is, that the prices of land, of labour, and of the physical " necessaries, rise, sometimes more and sometimes less, in " particular periods:—the value of money, then, does not de- " preciate, but prices rise."

the value of Bank Notes and the coin of these realms is to be attributed to a rise in the value of bullion.

For before that proposition can gain credit, it is not only necessary that the reasoning should be disposed of, by which it has been made evident that Gold and Silver must, as heretofore, sustain a gradual diminution of value; but a task still more difficult must be accomplished, for some plausible grounds must be stated for conceiving it possible, that all at once the depreciation in the value of these metals, which has been so long and so uniformly experienced, should be succeeded by a rise so sudden, as within two years to counteract the formidable loss of value they have sustained during the last twenty-seven years.

Yet that it is necessary to establish this by argument, must be evident to those who reflect, that fifteen shillings and eight-pence farthing was, according to Sir George Shuckburgh's calculations, twenty-seven years ago, equal to one pound in 1800; and that fifteen shillings and eight-pence farthing of standard silver is at present, in the estimation of the Directors of the Bank of England, equal in value to one pound, if we may judge from the value of the tokens as recently adjusted for the purpose of circulating along with Bank Paper.

It is material further to observe, that impossible

as it is to conceive why gold and silver should within the last two years experience a rise in value so formidable, after sustaining, during all the vicissitudes of seven hundred and fifty years, a gradual diminution of value:—the difficulty of giving credit to such a statement is infinitely increased, when we learn from a little reflection, that these are the two years of all others in which it is least probable that such a miraculous change should take place.

From the general principles already stated, by which all variations in the value of any commodity are regulated, it follows, that an extension of demand for, or a diminution of the quantity of a commodity, are the only occurrences that can possibly raise its value. Now instead of the demand for gold and silver having been increased during the last two years, or the quantity of these metals having been diminished, it is evident that the demand must have been diminished, and the quantity increased.

For this country's ceasing to enjoy a metallic currency, must have curtailed the demand to an extent proportioned to the share we used to acquire of what was annually produced; whilst the coin withdrawn from this country, pouring in upon the market in which there existed this diminished demand, must, in conjunction with the usual supply, have there produced a quantity in abundance unparalleled.

Such are the details, and such the reasoning, that seems to authorize a confident belief that the difference in the value of paper and the coin of these realms cannot be occasioned by an augmentation in the value of gold and silver; and if this position is established, the conclusion is unavoidable, that paper must be depreciated; for a difference in the value of paper and of gold, gold bearing a comparatively high value, can only originate from a rise in the value of the latter, or a diminution in the value of the former.

But a feeling of the importance of this question, nay, a conviction that the interests of the country, on no occasion were ever more deeply concerned, irresistibly urges a further extension of this argument for the purpose of considering some of the dangerous and long exploded doctrines, which have been brought forward in support of the opinion that Bank Notes are not depreciated; and of stating the grounds which justify the conclusion that Bank Paper has; from its abundance, got into a state of depreciation.

For such an extension no apology can be necessary to those who have studied the subject, as in ascertaining the feelings that have predominated on all similar occasions, they cannot have failed to remark the popularity which has uniformly attended the extension of credit, arising out of a super-

abundance of paper:* and prejudices on a question easily involved in mystery, where the interests of many are concerned, are not to be got the better

---

* Mr. Law, it is well known, died in obscurity, execrated for the mischief to which he had given rise, and the misery his schemes had inflicted on many; yet the following preface to an edition of one of his tracts, printed at the time the delusion existed in France and in Europe, will shew the feelings that generally prevailed.

It is humbly hoped that the public will favourably receive the following pages, which consist of some heads of a scheme, which Mr. Law proposed to the parliament of Scotland in the year 1705; which, though it was favoured by the High Commissioner, (who now serves His Majesty in a great office) and by several members of parliament; yet such were the prejudices against which prevailed, that the proposal was entirely laid aside. Having had so little success in that part of Great Britain which was his native country, he applied himself to the Lord Treasurer of England, and transmitted to his Lordship another proposal for the increase of Trade and Credit, with explanations at large, and adapted to the Constitution and usages here; but meeting with no more encouragement than before, and not being able even to get his pardon, (having killed the famous Mr. Wilson in a duel many years before), he was compelled to live abroad; where, after undergoing a great variety of persecution from his enemies, he now appears a minister far above all that the past age has known, that the present can conceive, or that the future will believe. He has established the public faith in a country that was become a proverb for the breach of it. He has made the increase of the revenues of an arbitrary government depend upon the subjects' free enjoyment of their property, insomuch, that it might possibly cost the crown many millions

of by hints. On such a subject, all who have any knowledge of mankind, must think that wholesome truths cannot be presented in too great a variety of shapes; at a time when those who hold the government of the state have so far yielded to the delusion, as not only to maintain that paper is not depreciated, but to threaten the country with the ruinous measure of making paper a legal tender.

By those who applaud our present system of circulation, as solving the problem of reconciling

---

millions, together with all its present prospect of riches and power, to refuse the very lowest demand of money which the public has promised to pay: he has shewed the people of France that their late King Lewis XIV. with his unlimited authority, was not able to take more from them than Mr. Law has since restored. He has now no enemies but those who are so to all mankind; and many, who some months ago thirsted after his blood, now eat his bread, for he has appeared incapable of any other species of vengeance, but that of laying his enemies under the shame and confusion of receiving their fortunes from him. This is the man whom Britain has lost, having laid under the displeasure of three successive ministers, so as not to be able to obtain his pardon, till at last, (too late for his country) it proceeded even unasked from the justice and discerning judgment of a great L—d now at the Helm.

Hiccine Vir Patriæ natus usquam nisi in patria morietur—hunc suâ quisquam sententiâ ex hac urbe expellet, quem omnes urbes expulsum a vobis ad se vocabunt: O Terram illam beatam, quæ hunc virum exceperit! hanc ingratam si ejecerit! miseram si amiserit!

national prosperity with a state of warfare,* and who represent the practice of conducting the circulation of the country with notes payable in cash on demand, as a mere remnant of barbarous times,† which if persevered in, would have prevented the vigorous exertions we have made, in the course of our enemy's extending his power over the Continent of Europe; the proposition that Bank Notes have suffered no diminution in value, has been apparently maintained on two different grounds.

For some have confined their arguments to the more limited object of shewing that they are not at present depreciated; whilst others have aimed at establishing the more bold and extended position, that under the system on which they are issued, they cannot be depreciated.

Those who have endeavoured to maintain the former conclusion, enlarging upon the idea suggested by some of the witnesses examined before the House of Commons, that broad cloth, or indigo, were as fair a standard for the value of Bank Paper

---

* Speech by Lord Castlereagh on the Report of the Bullion Committee, p. 24.

† Observations on the State of our Currency, by the Earl of Ross, p. 9.

as gold or silver,* consider Bank Notes, since the restriction, as representing the value of the commodities which formed the basis of the transaction that gave rise to their being issued, and assuming that they are never advanced by the Bank, but for the purpose of facilitating real transactions,† argue

---

* See Evidence of W. C. Chambers, Esq. Bullion Report, p. 102.

† It has been so asserted by all the Directors of the Bank of England, who were examined before the Bullion Committee; the following note, however, of the proceedings in an action before the Court of King's Bench, in the month of July last, cannot fail to create strong suspicions, that they occasionally deviate from these principles, and discount paper which they know to be bills of accommodation.

DENNISON v. TOLLETT IN B. R.

SITTINGS AFTER TRIN. TERM, 16th July, 1811.

The declaration states, that an indenture has been entered into between Lowndes and Batteson, of Liverpool, on the first part; Dennison, Rainier, Thelluson, and others, eminent merchants of London, on the second part; and several merchants of Liverpool, on the third part; reciting, That Lowndes and Batteson, were unable to meet their acceptances and engagements, and had represented that their embarrassments were of a temporary nature. "And whereas the said Thomas Lowndes and Richard "Batteson, have made application to the Governor and Com- "pany of the Bank of England, to advance or lend to them the "sum of £100,000, to which proposition, the said Governor and "Company

that, during the restriction of payments in cash, coin may rise in value, whilst Bank Paper may continue to represent in goods that value which the same denomination in gold and silver possessed prior to the supposed rise.

On the other hand; those who wish to enforce the latter conclusion, habituated to regard the money of the country, circulating in the shape of gold and silver, under those different denominations which have been established as expressing fixed and definite degrees of value; and resting upon what is certainly true, that the materials of which it is composed are not invariable in value,—

"Company, having been satisfied with the representations of "the said Lowndes and Batteson, to the effect aforesaid, have "agreed by way of discount of certain Bills of Exchange, to be "drawn and accepted, or indorsed by the parties of the second "part, *in manner, and to the respective amounts hereinafter men-"tioned.*"

Then follows a specification of the Bills to be drawn, accepted and endorsed by the parties of the second part, and to be renewed *three times* (at three months) for the purpose of being discounted by the banker, and a covenant from the parties of the third part, to indemnify the parties of the second part of all losses, in case they should be ultimately called on by the Bank to pay the Bills so indorsed, drawn, and accepted by them.

Lowndes and Batteson became bankrupts, after the bills had been twice renewed, and three times discounted by the Bank; and the parties of the second part being called on to pay, now came on those of the third part for their indemnity under the covenant.

strangely and inaccurately infer that the value must be denoted by the denomination which is unalterable.

By the partisans of these several principles, their doctrines are ostentatiously, though falsely, represented, as the discoveries of this enlightened age. But far from being novel in themselves, they are no where more distinctly expressed, or more violently condemned, than in an account of the intended Bank of England, written for the purpose of displaying the principles on which that establishment was to be conducted, a few months before it was formed.

In describing the various plans of banks, and public funds, that were at that time projected, the author of this little Tract states, that, "a design "was entertained by some *mercurial heads*, of "turning a Lumbard into a Bank," (that is, of issuing notes on the credit of goods) "and to that "end they cried down the use of gold and silver, "and up that of other materials, in lieu thereof, "but when they found the world very unwilling to "leave their old way, without a better reason, "they run from their new mistake into an old one, "which was, that the stamp or denomination could "give credit to the value of money."*

* See a brief account of the intended Bank of England, page 3, published 1694.

By those *notionists*, as they were then called,* the impossibility of commanding gold and silver sufficient for circulation, the industry and skill of our enemy in drawing our coin abroad, and preventing its return, were then as eagerly enlarged upon as they have been of late by those who call themselves practical merchants.† But, above all, it was strenuously denied that coin derived value from the material of which it was made: and asserted, that the metals only served as tokens of credit representing imaginary denominative values of commodities:—Indeed this is the prin-

---

* Ibidem, page 9.

† See An Abstract of the Consultations and Debates between the French King and his Council, concerning the new Coin and Coinage that is intended to be made in England, wherein is contained the political designs and great hopes the French King and his Council have to ruin the English Nation, in divesting and draining them of their new Coin as soon as coined.—*Published* 1695.

Also, A Preservative for our Money, or a way proposed, whereby some Money may be kept in England, which otherwise will all be gone; or how we may carry on the war against France, with vigour and with much better effect than hitherto, and yet keep our Money: *by E. L. printed* 1697.

See further, A short Treatise of the Reason and Cause why our Bullion and Money should have been exported. *Printed* 1697.

ciple which must, at all times, be assumed to justify the conclusion, that paper, without being payable in cash, can possess value.

For the opinion that paper may cease to represent coin, and derive its value from other commodities, necessarily implies the assertion, that it derives value from denomination, as in reality it is impossible to hold that gold has ceased to be the standard of value, and that paper, whose value was formerly ascertained by its being equivalent to coin, now represents commodities, without either erecting a new standard of value, or attributing to the denomination which the paper possesses the power of deciding the quantity of every species of commodity to which it is equivalent.

It is certain, therefore, that though it is not directly asserted by those who consider paper as representing commodities, that the denomination gives value to, and fixes the value of, the Bank Notes in circulation; this is a tenet, which, when Bank Paper has ceased to represent coin, and there exists no other standard of value, is the unavoidable consequence of that opinion.

For those who have suggested the interest of thirty-three pounds six shillings and eight-pence, three per cent. stock, to be the standard by which

a one pound Bank Note is to be valued;* must perceive that as the interest of that sum, in three per cents. since the restriction, is necessarily paid in a one pound Bank Note, it is in other words to attribute the value of the note to the denomination by which it passes. Such also seems the only source from which the value of Bank Paper can be inferred, by taxing our recollection to discover what was its value before the restriction, or our imagination to divine what would have been the value of notes in commodities at this time,† had coin continued to circulate; for nothing but the denomination, can either refresh the memory, or aid the imagination of those who, by such means, try to ascertain the value of our paper.

Of this doctrine, the author of The Law and Principles of Money, is one of the most distinguished advocates;‡ in asserting, however, that it was re-

---

* See W. Bosanquet's Practical Observations on the Report of the Bullion Committee.

† See the various definitions of the standard of value, since gold has ceased to act in that capacity, given in the Review of the Bullion Report, British Review, p. 26, *(supposed to be written by a person in high official situation.)*

‡ Mr. Raithby, whose pamphlet contains the sentiments of Mr. Rose, as that gentleman has stated in his printed speech, p. 211.

served for what he has termed the good sense of this country, recently to discover, that any indifferent substance marked with a clear certain denominative value, which the law should stamp with its authority, could perform the duties of money, he has only displayed his ignorance of what he would probably term the ingenuity of former times: for these opinions were not only indirectly insinuated, but directly asserted by many, who in the reign of William III. thought they saw in the extension of our paper credit, the same advantages which he and others have now so sagaciously discerned.

The public were then told with as much enthusiasm as at present, that it did not signify what the outward form of money was: that whether metals, leather, or paper, it might equally serve to commute value for value; and that though commonly made of some metal, the value arising from public authority might as well be set to any thing else that was equally convenient, and could as well be preserved from being counterfeited.*

---

* What matters it what the outward form of cash is? Be it metal, or leather, or paper, it is all one, so it will commute value for value. As for the intrinsic value of gold and silver, 'tis no more than a *relative* value, in that they are, (by reason of their scarcity) become the measure of commutation. But as to any value inherent in their natures, I do not know that they excel so much; for other metals (called *base*, because they are

It was, however, reserved for the ingenuity of the present times to discover, contrary to all authority and experience, that paper not payable in coin on demand, was capable of conducting the circulation of a country, with an uniformity of value which could not belong to it, if tied down to a metallic currency as the standard.*

---

are found in great plenty,) are really of more use to mankind. Now, if money be desirable only for its relative value, then I say these notes may vie with it, for there is not one note but what has *relation* to a pledge:

Discourse concerning a Lumber Office, p. 12. *Printed* 1696.

I find a great stupidity and dulness of apprehension in some men, about the valuation of our money, and with great difficulty have I made them sensible of this error, viz. that a crown 's a crown, and that if it goes so, 'tis no matter if it were leather, concluding that all things are valuable by our money, and money by itself.

Objections to Mr. Lowndes's Proposal about the Amendment of our Coin, page 9. *Printed* 1695.

---

* In its absence (that is, the absence of coin) the accredited paper of our Banks preserves its established relation to the general property of the country, which it continues to circulate with an uniformity of value which could not belong to it, if tied down to Bullion as the standard, and obliged to conform to all the present convulsive fluctuations in its price.

Lord Castlereagh's Speech, May 8, 1811, *published by authority,* page 48.

The

Sir James Steuart's Work on Political Economy, has, indeed, been copiously quoted, as affording authority for this strange and unintelligible doc-

---

The abstract idea of a pound, will be far more uniform in value than any fixed quantity of gold or silver.

Defence of Abstract Currencies, by Gloster Wilson, p. 49.

Mr. Raithby, after declaring that the Standard of value, the universal power of equivalence, is affixed to the coin, the guinea, and not to the piece of gold; and stating that a clear, well-understood, denominative value, is in truth the only rule; (page 26.) in a subsequent part of his Treatise, proceeds, "it next occurs "to consider the principle upon which a state must necessarily "act, if it act wisely, in the choice or selection of a part of the "commodity of a society, thus to pass from hand to hand with- "out ever resting, throughout the society, as the representative "of the value of the rest of the commodities destined to their "use and enjoyment.

"In the first place, the subject that is selected must be palpable "and substantial; small of bulk, light of carriage, and either dura- "ble or easily renewed. And one would suppose that when these "qualities were ascertained, which all come within the general "principle of convenience, that the expence of this vehicle would "next be the subject of consideration; and then that the commo- "dity most easily obtained, and of course the cheapest, would be "the commodity the state would fix upon for the purpose "of money. One would not have imagined that the Govern- "ment of any country, would have been sedulous to select a "commodity, the rarest and most expensive in the world; that "instead of considering the utility merely, of the qualities of "the commodity, those of beauty and value should have been "held, not only as indispensable, but as of primary considera- "tion;

trine of the advantage of conducting the circulation of a country by abstract currencies, representing imaginary denominative values:—and it is most certain, that there are many passages loosely written, in that part of this valuable work, where the author details his doctrine concerning money of account.

It is true, he has stated the Florin-banco, as representing no material value; and he has alluded

---

"tion; qualities which are at total variance with the end de-"signed." Page 87-8.

Whatever in itself possesses an embodied form, and an intrinsic value, must, as a material commodity, be subject to variation, under the universal principle of the relative proportions of product and demand. And paradoxical as it may seem in theory, it is nevertheless most uncontrovertibly true in practice, that it is this very attribute of intrinsicality which necessarily imposes the quality of variation. It is the ideal money of account only, which admits of invariable value; because it is not formed of *substantial* and therefore *variable* materials.

Observations on the Fallacy of the supposed Depreciation of the Paper Currency. By Perceval Eliot, p. 32.

It is submitted to the refined ingenuity of this gentleman's mind, that an immaterial army would also have the advantage of being invulnerable. And paradoxical as it may appear to him, it is just as easy for a man of science to conceive a successful campaign carried on by such an army, as it is to imagine that value can be measured by a standard which is deprived of what he calls intrinsicality.

to Macutes, as used for money on the coast of Africa, divided into decimal parts called Pieces, as a mere scale for estimating their trucks.

But on the materiality of that which the Florin-banco represents, a variety of passages in his own work, as well as other authorities innumerable, which might be referred to, can leave no doubt. And it is extraordinary Sir James Steuart should have been ignorant that Macutes were pieces of net-work, used by the people of Angola for a covering,* with which they conducted their exchanges, on the same principle that the exchanges of other countries have been conducted, by fish and by cattle, neither of which, as has been already observed, could ever have been resorted to as measures of value, had they not possessed value as commodities.

It cannot, however, be said, with the smallest justice, that it ever entered into the imagination of the author of the Inquiry into the Principles of Political Economy, that the circulation of a country could be conducted by imaginary abstract denominations of value expressed on paper.

He has certainly defined money of account to

* See Prospectus d'un nouveau Dictionnaire de Commerce, par M. L' Abbé Morellet, p. 122.

be, "an arbitrary scale of equal parts, invented for "measuring the respective value of things vendi-"ble." But does he not say that before this scale can be applied to use, mankind must by convention fix the standard value of one part? He adds, indeed, that the first step is optional; that one or more of those parts may be adjusted to any precise quantity of the precious metals;* but when once this adjustment takes place, does he not state, that money is realized, as it were in gold and silver, and becomes the price, as well as the measure of value?

So far is it from being true, that Sir James Steuart sanctions the opinion, that the circulation of a country can be conducted by paper representing no metallic currency, and enjoying only denominative value, that those who are really acquainted with his writings, must consider such a representation as a gross perversion of his doctrine; for he distinctly states, that "some intrinsic value or "other must be found out to form the basis of paper "money, for without that, it is impossible to fix "any standard-worth, for the denominations con-"tained in the paper."†

It is indeed impossible for any one acquainted

* Quarto Edition of Sir James Steuart's Political Economy, pages 529-30.

† Ibidem, page 525.

with the works of this author, to think that his authority can be relied on in support of a doctrine he has reprobated to such a degree as to declare, that "The moment money is realized in the metals, "and that the standard measure of value is affixed "to them, let them be worn or not, it is very evi- "dent, that nothing but *the grains of the metal* "in the several pieces can represent the scale by "which the coin becomes a measure of value. "Whenever, therefore, people lose sight of this "undoubted truth, and begin to measure by the "denominations of the ideal money of accompt, "without examining whether that value be exactly "realized or not, it is just the same thing, as if "they were to measure a length upon a plan "without adjusting their compasses to the scale, "and upon a bare supposition that the opening "they had by accident made, might answer the "length they were to measure."

There is, however, one weighty and important authority, which, unfortunately for the country, may be now cited in favour of this extraordinary doctrine, that denomination can add to, or take from the value of money. For the House of Commons has been induced to declare, "That the "rights of establishing and regulating the legal "money of this kingdom, hath at all times been a "royal prerogative vested in the sovereigns there- "of, who have from time to time exercised the

"same as they have seen fit, in changing such "legal money, *or altering and varying the value,* "and enforcing or restraining the circulation "thereof by proclamation, or in concurrence "with the estates of the realm, by act of Parlia- "ment."*

To the authority of either House of Parliament the utmost deference is due, but there is no extent of authority that can command the assent of men to a proposition evidently false, attributing to the Crown a prerogative no King of England ever possessed, and which could not be exercised without being attended with the inevitable ruin of the country.

The Crown has undoubtedly the power of regulating the quantity of alloy, that should enter into, and of fixing the size, shape, and denomination of the coin of these realms, by which all subsisting contracts may be effected, and the debtor and creditor alternately defrauded for each other's benefit. Even this power, however, has remained dormant ever since the reign of Queen Elizabeth; neither was its existence then unquestioned, for though it was confirmed by the judgment of a court of law, the decision has been deservedly censured,

* Resolutions of the House of Commons, 3d May, 1811.

as repugnant to every principle of natural justice.*

The Crown has also recently exercised the power of fixing the value of gold coin relative to silver coin, by proclamation, and though it cannot, and never has, attempted to fix the value of coin in relation to any other commodity, still the total banishment of all standard silver coin from circulation, which the regulation of our mint effected, sufficiently illustrates what would be the consequence of exercising this prerogative of *fixing and altering the value* of the coin, which the House of Commons has declared to belong to the Crown.

It is a power which neither the kings of England nor the head of any other empire ever pretended to possess. It is true, that by most governments the shape, the size, and the quality of the current coin has been altered;—perhaps by none more disgracefully than by some of the ancient monarchs who held the crown of France. Yet their authority may be cited to prove, that they never imagined they had the power of altering the value of the coin, as is evident from many of the ancient ordi-

* See note by Edward Christian, Esq. Professor of Law in the University of Cambridge, in his edition of Blackstone, in which he observes on the case of mixed money, in Davies's Reports, 48, vol. i. p. 278.

nances, forbidding the engravers and other officers to reveal the quantity of alloy used in the formation of it;—a measure perfectly superfluous, if by these ordinances the value of the coin could have been altered, but in the conception of some of the kings of France, of such importance as to be enforced with the most solemn oaths.*

Even the revolutionary government of France, who certainly cannot be accused of entertaining very limited ideas of sovereign authority, never supposed that such a power could exist; as is apparent from the royal proclamation of the 19th of April, 1790,† announcing the assent given to the decree

---

* Philip de Valois, in an ordinance of the year 1350, for making the *Doubles Tournois*, directs the officers of his mint to alloy for the merchants, and the engravers and other officers are forbid to reveal the same, and directed to swear on the holy evangelists that they will keep it secret. King John added to his mandate for the like purposes—upon the oath you have taken to the King, keep this matter secret, the best ye may:—for if by your means it shall be known, you shall be punished after such a manner, that all others shall be terrified thereby. And in another place—Keep this matter secret, and if any one inquire of what standard the blanks are, pretend they are of six deniers;—take as much care as you would of your own honours, that they do not discover the degree of alloy by your means.

See Le Blanc and Boutteroue in his Traité des Monnoyes.

† Extract from the Proclamation issued on the 19th of April, 1790,

making assignats a legal tender;—in which the limitation that is in the nature of things imposed on all sovereign authority, is most accurately recognized; and the people of France are only invited from motives of patriotism to allow the assignats, in the course of future transactions, that value which was conferred on them by law, in so far as concerned the interests of those, who in consequence of past transactions stood to each other in the relation of debtor and creditor.

But should there be any one who really thinks the Crown enjoys the prerogative of altering the value of the coin, that is, the rate at which it should pass in exchange with commodities, and who is so ignorant as to believe that such a prerogative has in modern times been claimed by any king of England,—let him reflect on the nature of the steps necessary to effect this object, and he must soon be undeceived.

1790, announcing the royal assent to the decrees making assignats a legal tender!—

" Ainsi quoique le decreet revetu de la sanction du Roi n'ait " imposé et n'ait pu imposer que l'obligation de recevoir ces " billets dans les paimens qui ont lieu d'un debiteur à un crean- " cier; sa Majesté *invite* tous les habitans du Royaume à les " recevoir de même, sans aucune objection ni difficulté, dans " tous les contrats et les marches libres; de telle maniere que " par l'effet d'une juste confiance les billets nationaux soient " estimés partout à l'egal du numeraire effectif," &c.

Supposing, for example, that the Crown should, in the exercise of this prerogative attributed to it by the House of Commons, issue a number of pieces, of weight and purity of standard corresponding to those of the present sixpences, and that it should by proclamation order them to pass for the value of shillings; could this act of the Crown produce the smallest alteration in the relative value of bread, or of any other article, to the coin of these realms? What is there in such a proclamation that would prevent the baker from reducing his loaf one half, or from asking two of these new shillings for the loaf which the day before was sold for one? Yet, by either of these means, the exact proportion that coin bore to bread in value, before the proclamation was issued, would be maintained.

It is obvious, therefore, that if the Crown possessed the prerogative which the House of Commons attributed to it, the value of coin in relation to bread could not be raised otherwise than by fixing the value of bread, as well as that of coin; or in other words, by imposing a maximum on the price of bread.

Neither could the value of money, in reference to that of other commodities, be either raised or diminished, but by a similar proceeding with regard to each article, the value of which was to be measured by the coin of the realm. Thus it would require that the Crown should possess the right of imposing

a maximum on the value of all articles of commerce, before the sovereign could enjoy that prerogative the House of Commons has declared he possesses.

If then there existed no other motive but respect for the Commons House of Parliament, it seems necessary to attribute the resolution they have placed on their journals, to their being hastily betrayed into an opinion, on a subject on which they must have been ignorant:—for it is impossible to accuse them of being traitors to their constituents, and to their country, to such an extent as to have intended to attribute to the Crown the power of regulating the value of all articles, whether of luxury or of necessity; yet that the prerogative they have attributed to the sovereign necessarily involves that power, is certain, for without it the right *of altering or varying the value* of the coin of these realms could not exist.

This discussion concerning the power of denomination to confer or to alter the value, which the resolution of the House of Commons supposes it to possess, might at any other time be considered as unnecessary in a country whose ancient laws have so clearly expressed that the weight and purity of their standard are the sole source of the value of its coins.* But when it is

* In the statute de Moneta (20 Edward I. stat. 4.) it is ordained,

seriously stated by men of high authority, that denomination is a more stable and invariable foundation of value for paper than convertibility into coin on demand.—When it is even proposed to Parliament to resolve that neither gold nor silver ever did possess, or ever can possess the various important and necessary qualities for conducting the circulation of a country.* The doctrines that paper, as

---

dained, "that he who receives or pays money, shall receive or "pay the same by weight; and that the vicar or warden of the "parish shall weigh the same; and in case it be new money, "and the pound weighs not twenty shillings; and in case of "money that is much used, if the pound wants sixpence, it shall "be re-delivered to him who brought the same."

At this time the pound in tale, being the same with the pound in weight, it appears that no new money could be received or paid but of full weight, and that money worn was not permitted to be current, after the loss of one fortieth part of its weight.

* Lord Stanhope, in his Resolutions submitted to the House of Lords, 12th July, 1811, and ordered to be printed by that House, after stating all the various requisites of any material, for forming a legal standard measure of value, proposed to that House to resolve, "That neither gold nor silver ever did possess, or ever "can possess, the various important and requisite qualities which "are above particularly specified; and that not only each of "those precious metals, (technically so called) but likewise every "one of the other articles of merchandise, by means of which "British debts to foreign nations can be discharged, is (from the "irremediable fluctuability of their value, arising from the ne-"cessary fluctuability of the course of foreign exchanges) an "improper

the mere abstract expression of value, is more likely accurately to preserve its value; and that in practice it is the value gold and silver naturally possess that subjects them to the variations that disqualify them for the conduct of circulation; acquire such countenance and support, that it becomes a duty to expose every argument by which they have been defended.

In other times, these visionary schemes for con-

"improper and an unfit legal standard to serve as a fixed, inva-
"riable, and permanent measure of the relative value of different
"commodities and things within the country itself, which is the
"grand and essential end and object of an internal circulating
"medium."

Lord Stanhope's opinions generally possess novelty and originality, but these resolutions display neither; they are really a repetition from Mr. Law, who seems to have had the same ideas on the disadvantage of gold and silver as circulating medium; for in the 3d article of the Arrêt, dated 22d January, 1720, he advised his sovereign to announce the following regulation:

"S. M. voulant ôter tout pretexte à ses sujets de se plaindre
"des peines qu'elle pourra ordonner dans la suite contre ceux
"qui ont gardé de vieilles espèces, elle permet à tous ses sujets
"et aux etrangers jusqu'au dernier Fevrier prochain inclusive-
"ment, de faire sortir hors le Royaume les espèces anciennes
"et nouvelles, et les matières d'or et d'argent, étant plus avan-
"tageux à l'etat que les sujets de S. M. les fassent valoir dans les
"pays étrangers, que de les retenir dans le Royaume sans circu-
"lation, en conséquence, ordonne Sa Majesté que pendant le dit
"temps, et sans qu'il soit besoin d'aucune permission, tous mes-
"sagers et autres voituriers puissent se charger des dites especes."

ducting the exchanges of a country by what may be multiplied to any extent, and therefore can possess no fixed value, would have been only alluded to as a proof, that there existed some radical error in the principle on which our circulation is conducted; for on such occasions these opinions have uniformly found their advocates:—but the weighty authorities from which they have recently derived support; nay, the majorities of Parliament, by whom they have been listened to with favour, have made the consideration of them a necessary prelude to the task of establishing by direct proof, the depreciation of our paper currency.

A distinction between bills of credit, or state notes issued by government, and notes of a corporation of merchants conducting a bank independent of government, has been also much relied upon by those who have attempted to display the advantages arising from the restriction, and the subsequent conduct of the banking establishments throughout England.* And this distinction has been in a certain degree countenanced by some who in many respects have shewn themselves to possess an accurate knowledge of the subject; for even by them, Bank Notes have been stated as deriving

* See Lord Castlereagh's Speech on Lord Stanhope's Bill, page 44.

value from confidence, and contrasted with government paper, on which authority is supposed to confer value.*

It is certain, however, that no paper, whether issued by a corporation of merchants, or by a government, could be introduced into circulation independent of confidence.—State notes, or government paper, has been generally issued in payment of services performed, or for commodities furnished to the public.—The notes of banking establishments have been either advanced to government to accomplish these objects, or to individuals on the security of goods which they possess or have transferred.

But in neither case would they be accepted of, nor could they circulate, independent of a confidence, on the part of those who receive them, that they will possess an identity of value when they are paid away. For the notes of no government, however powerful or absolute, can procure the service of those it employs, but from a confident opinion in its servants, that they represent something, the value of which will enable them to secure the clothing and subsistence necessary for their existence.

---

* See Mr. Mushett's pamphlet, page 7, and Mr. Huskisson's, page 3.

If authority alone could give value to paper, it would be difficult to discover why the same power could not maintain it accurately in possession of the degree of value it had bestowed. Yet experience shews us that a want of punctuality in the discharge of them, and an excess of quantity, alike affect the value of State Paper and of Bank Paper; and that it is impossible to bring the one into a state of depreciation by means that would not equally affect the value of the other.

The dictates of authority short of introducing a maximum, can alone injure the interests of those who are bound by past contracts; and whether the paper is that of government, or of a banking company, the injury is equally inflicted by a system of laws which contrives to make either the one or the other a legal tender.

It is, perhaps, true, that paper issued by government, has been oftener reduced into a state of depreciation, than paper issued by establishments unconnected with government; but that only authorizes the inference, that there has been a greater frequency of imprudent management in the issues of the former than of the latter; it establishes no difference in the nature of the paper itself, for the paper of no government ever lost value by means which, if pursued, would not have discredited that of any corporate body.

From the manner in which every illustration derived from the fate of bills of credit, and government or state notes, as bearing upon Bank of England Paper, is reprobated, it would appear there exists a notion, that paper issued directly by the government of a country, is from its nature doomed to immediate depreciation.—But is this true?—Did not the assignats of France, and the paper dollars of the American congress, circulate for a length of time, without sustaining any diminution of value?—and was it not an excess of quantity to which their ultimate depreciation in value is solely to be attributed?

In the former case, it must be known to those who are acquainted with the history of that singular period, that the sixteen millions of livres issued under the decree of the 19th of November, 1789, maintained undiminished value for a length of time, and it is in the recollection of all, that they were in France issued with confidence, and received by practical merchants with enthusiasm, equal to what is now boasted of as existing in relation to Bank Notes, by those who vindicate our extended issues of Bank Paper. Nay, the speeches delivered at that time might almost pass for translations of what we have heard at the Bank, and in places which command a still higher degree of respect.*

* The following are Extracts from the Report to the National Assembly

" Even after, the only difference in the financial factions in the Assembly of France was, as described by Mr. Burke, on the greater or lesser

---

Assembly, made by Monsieur Anson, member of the Committee of Finance, on proposing the first emission of assignats to the extent of sixteen millions of livres.

" Nous avons entre les mains des addresses revêtus des sig-
" natures les plus recommendables des manufacturiers et
" commerçans, qui réclament un nouveau numéraire. Vous
" n'avez point oublié cette addresse éloquente et patriotique des
" négocians de Bourdeaux, de cette cité si célébre dans les fastes
" du commerce ; elle a adopté l'une des premières la circulation
" des assignats ; son example sera suivi de toutes ses rivales, ainsi
" que de toutes les villes qui ne peuvent prétendre à l'étre.

" Elle a envoyé son adhésion anticipée à celle des opérations
" de finances qui vous paroîtroit la plus adaptée aux circon-
" stances : ses commerçans réunis l'ont appuyée d'un serment
" solemnel : bientôt la circulation des assignats deviendra la plus
" libre des opérations puisqu'elle sera secondée des efforts et des
" volontés de tous.

" Vainement, Messieurs, vous objectera-t-on que l'exces d'un
" tel numéraire, en concurrence avec le numeraire réel, deviendroit
" très préjudiciable ; oui, sans doute, si ces deux numéraires pou-
" voient long-temps restér en concurrence ; mais d'abord le numé-
" raire réel de la France est depuis long-temps au dessous des besoins
" de son industrie. En ce moment, l'or et l'argent se cachent :
" ils s'enfouissent* et la malveillance les resserre : le papier ne
" sera donc pendant quelque temps qu'un heureux remplace-
" ment."

* The gold and silver, as explained in this report, had been driven from circulation by the paper of the Caise d'Escompet, which had been issued to an enormous extent.

quantities of assignats, which were to be thrown into circulation; when, as he expresses it, they had all become professors in assignats; their difference in value from gold is recorded by him to have been only seven per cent.*

Neither did the author of the Reflections on the French Revolution allude to this distinction betwixt the paper of a government and that of a corporation of merchants, when he so eloquently described the circulating paper of England, and contrasted it with that of the revolutionary government of France.

Of the former, he at that time truly stated, "That in England not one shilling of paper money "is received but of choice: the whole of our paper "has had its origin in cash actually deposited, and "is convertible, at pleasure, in an instant, and "without the smallest loss, into cash again.—It is "of value in commerce, because in law it is of "none. It is powerful on Change, because in "Westminster-Hall it is impotent. In payment of "a debt of twenty shillings, a creditor may refuse "all the paper of the Bank of England.—Nor is "there amongst us a single public security, of any "quality or nature whatsoever, that is enforced

* See Mr. Burke's Works, quarto edition, vol. iii. page 311.

"by authority. In fact, it might be easily shewn, "that our paper wealth, instead of lessening the "real coin, has a tendency to increase it;—instead "of being a substitute for money, it only facilitates "its entry, its exit, and its circulation; that it is "the symbol of prosperity, and not the badge of "distress. Never was a scarcity of cash and an "exuberance of paper a subject of complaint in "this nation."

In stating his opinion of the latter, he describes the government of France to be in a dilemma—"If "they continued to receive the assignats, cash "must become an alien to their treasury:—if "the treasury should refuse those paper amulets, "or should discountenance them in any degree, "they must destroy the credit of their sole re-"source." Under these circumstances, he adds, "They seem to have made their option, and to "have given some sort of credit to their paper, by "taking it themselves; at the same time, in their "speeches, they *made a sort of swaggering declara-"tion*, something, I rather think, above legislative "competence; that is, that there is no difference "in value between metallic money and their as-"signats. This was a good stout proof article of "faith, pronounced under an anathema by the "venerable fathers of this philosophic synod—*cre-"dat* who will—certainly not *Judæus Apella*."

From these remarks, so truly characteristic of Mr. Burke, it is evident that the preference given by him to the notes of the Bank of England, was founded on more solid considerations than the mere distinction betwixt the paper of a private corporation and the paper of government. Far less can it be supposed that this circumstance could have had any weight on his mind, had he lived to see the notes of that establishment for fourteen years not convertible into cash on demand, during which time the country has surrendered the regulation of the quantity of paper that should be thrown into circulation to the unchecked discretion of the Directors of the innumerable establishments, whose profits depend upon the increase of it.

For we cannot believe that he, who when assignats were inferior in value to coin, only to the extent of seven per cent. doubted of the legislative competency of declarations that they were equal in value to metallic money, could have approved of a formal resolution of the House of Commons, declaring the notes of the Bank of England equivalent to the coin of the realm, at a time when there existed a difference in their value to the extent of nearly twenty per cent. Still less can we suppose, that he who commented with so much just severity on the speeches of those who had the management of the French finance, would have abstained, upon the mere ground of our notes being issued by a corporation, from ex-

pressing an increased degree of indignation at the swaggering speeches of those in office, who, during the last session of parliament, threatened the nation with making paper a legal tender, should any one dare to exercise that choice, betwixt paper and coin, the existence of which he had regarded as the foundation of our credit.

In America, it is true, the paper dollars issued by the government of that country, began to sustain a diminution of value before they amounted to a sum equal to what was at first thrown into circulation in France. But it is also true that they remained equivalent to metallic money, for more than a year after the Congress had recourse to that means of providing for the maintenance of their armies.*

---

* From the Remembrancer in the year 1775, we learn, that early in the month of June, the Congress passed a vote to strike off two millions of Dollars value seven shillings and sixpence in our currency; and the following short account of their progress, during the next year, is extracted from Dr. Ramsay's History of the American Revolution.

On the 25th July, 1775, it was resolved to add another million of Dollars to the one already voted. For their redemption they pledged the Confederated Colonies, and directed each Colony to find ways and means to sink its proportion and quota in four annual payments, the first to be made on or before the last of November 1799; that time was fixed upon from an expectation, that previous to its arrival, the contest would be brought to a conclusion. On the 29th November, 1775, an estimate having been made by Congress of the public expences already incurred, or likely to be incurred, in carrying on

They even circulated at par three months after the enormous sum of twenty millions of dollars had been issued, commanding the resources of the country for public services equally with the same sum in gold or silver.

At last by the great rapidity with which their issues were increased, in the Autumn of 1776 their paper was brought into a state of depreciation. Then it was that the Congress, the Committees of Public Safety, and the various provincial assem-

---

on their defence till the 10th June, 1776, it was resolved to emit a further sum of three millions of Dollars, to be redeemed as the former, by four annual payments, the first to be made on or before the last day of November 1783. It was at the same time determined that the quotas of bills to be redeemed by each colony, should be in a relative proportion to their respective number of inhabitants. This estimate was calculated to defray expences to the 10th of June, 1776, on the idea that an accommodation would take place before that time. Hitherto all arrangements, both for men and money, were temporary, and founded on the supposed probability of a reconciliation. Early in 1776, Congress obtained information that Great Britain had contracted for 16,000 foreign mercenaries, to be sent over for the purpose of subduing America. This enforced the necessity of extending their plan of defence beyond the 10th of the next June. They therefore, on the 17th of February, 1776, ordered four millions of Dollars to be emitted, and on the 9th of May, and 22d July following, emitted ten millions more on the same security. Such was the animation of the times, that these several emissions, amounting, in the aggregate, to twenty millions of Dollars, circulated for several months without any depreciation. Vol. ii. p. 126.

blies, came to resolutions and passed acts, which though in words differing, are in substance the same with the enactments proposed and adopted during the last session of parliament* in support of the notes of the Bank of England.—At last

---

* That the reader may at once see the similarity of the measures, at first adopted to sustain the credit of the government paper in America, and to maintain the credit of the notes of the Bank of England, it is thought right to subjoin the following extracts from the proceedings of last session, and to contrast them with what took place in America under similar circumstances.

Extract of the Act as proposed by Lord Stanhope.

That from and after the passing of this act, no person shall receive for any double guinea, single guinea, half-guinea, or seven shilling piece, respectively, any larger sum than forty-two shillings, twenty-one shillings, ten shillings and sixpence, or seven shillings, respectively; and that no person shall receive for any note of the Govenor and Company of the Bank of England, any smaller sum than the sum therein mentioned to be payable to the bearer on demand.

Extract of the Bill as it passed into an Act.

That from and after the passing of this act, no person shall receive or pay for any gold coin lawfully current within the realm, any more in value, benefit, profit, or advantage, than the true lawful value of such coin, whether such value, benefit, profit, or advantage, be paid, made, or taken in lawful money, or in any note or notes, bill or bills of the Governor and Company of the Bank of England, or in any silver token or tokens issued by the said Governor and Company, or by any or all of the said means, wholly or partly, or by any other means, device, shift, or contrivance whatsoever.

And

their paper dollars continuing to increase, and in consequence to depreciate, that measure was resorted to in the month of February 1777, with which this country has been threatened, and the Con-

---

And be it further enacted, by the authority aforesaid, that no person shall by any means, device, shift, or contrivance whatsoever, receive or pay any note or notes, bill or bills of the Governor and Company of the Bank of England, as of less value in money, except lawful discount, than the sum expressed therein to be thereby made so payable.

Extracts from various proceedings in America, during the year 1776-7.

Resolutions of Congress, Dec. 27, 1776.

Resolved, that the Council of Safety of Pennsylvania, be requested to take the most vigorous and speedy measures for punishing all such as shall refuse Continental Curreney, and that the General be directed to give all necessary aid to the Council of Safety for carrying their measures on this subject into effectual execution.

Remembrancer for 1777. Page 36.

Extract of the Act of the Council of Safety. Philadelphia, January 1, 1777.

Resolved, that if any person or persons, from and after the publication of this resolve, shall refuse to take Continental Currency in payment of any debt or contract whatsoever, or for any goods, merchandise, or commodity offered for sale, or shall ask a greater price for any such commodity in Continental Currency, than in any other kind of money or specie, on full proof made thereof before any three members of any County Committee, or any three field officers of militia of this state; the person or persons so offending, shall, for the first offence, be considered as a dangerous member of society, and forfeit the goods offered for sale, or bargained for, or debt contracted,

gress Bills of Credit, became in payment a legal tender, an act of violence which was soon followed up by regulations on the part of the various provincial assemblies, limiting the value of all the various articles of commerce,* the only means, as

---

tracted, to the person to whom the goods were offered for sale, or by whom they were bargained for, or from whom such debt is due. *Ibidem, page* 37.

Resolution of the Albany Committee, January 21, 1777.

Resolved, that every person who shall offer any thing for sale, or shall sell any thing for a less sum in gold and silver money, than in continental or other paper money, now passing current in this country, shall be considered as a depreciator of the paper currency, and treated accordingly; and that every person who shall refuse to take the same in payment shall be treated in like manner. *Ibidem,* p. 81.

* That the people of this country may see the nature of the measure with which in parliament they have been threatened, in Appendix No. 1, a copy is given of the act of Congress, making paper Dollars a legal tender; and the following statement of prices as fixed by the state of Connecticut, may serve as a specimen of those regulations which ensued as necessary to render the measure effectual.

Regulation of Prices as fixed by the General Assembly of Connecticut, February 1777.

Labour in the Summer not to exceed 3*s.* per day; Wheat 6*s.* per bushel; Rye 3*s.* 6*d.* Indian corn 3*s.* Wool 2*s.* per pound. Flax 10*d.* Pork from 5*s.* to 7*s.* per score, 3½*d.* per pound; from 7*s.* to 10*s.* 3½*d.* from 10*s.* and upwards 3½*d.* Grass fed Beef not to exceed 24*s.* per hundred; so in proportion according to its quality;

has been already shewn, by which any government can give that value to its currency, that it does not naturally command.

These measures of violence and injustice, however, were not, as indeed they never can be in any country, of long duration; for on the 1st of October, 1778,* Congress resolved that all limitation on the price of gold and silver should be taken off. But that it was solely the excessive amount of paper thrown into circulation, which in the opinion of Congress produced the fatal diminution of value in their Bills of Credit, is apparent from the preamble to an act passed July 27, 1779, for the purpose of raising money by loan, in which it is stated that Congress, "being bound by every "motive of policy, and of public and private justice, "to maintain the credit of the paper money emit-"ted by their authority, on the faith of the United "States, it is their intention not only to avoid "further emissions, but to diminish the quantity

---

quality; Raw hides 3*d.* per pound; Salt 10*s.* per bushel; West India Rum 6*s.* per gallon, per hogshead; best Muscovado Sugar 60*s.* per hundred; New England Rum 3*s.* 6*d.* per gallon, per hogshead; Molasses 3*s.* per gallon, per hogshead; Tea 4*s.* 6*d.* per pound; Butter 10*d.* Cheese 6*d.*

Ibidem, 1777, p. 130.

The above prices are in Continental Currency.

* Ibidem, Vol. 1778-9, p. 347.

"in circulation."* Thus, evidently declaring both, that a diminution of value could only be produced by an augmentation of their quantity, and that their value could only be sustained by a diminution of their amount.

Nothing, indeed, can be so clear, as that it was the quantity of paper thrown into circulation, and that alone, which in America produced the depreciation of the paper issued under the authority of Congress. For in the years 1776 and 1777, when the cause of the United States appeared desperate, the comparatively small quantity that was issued, circulated for a length of time at par, and afterwards sustained only a slow and gradual diminution of value: whilst in the three following years, though the events of the war, the Treaty with France, and the other European alliances, gave to the cause of those who issued the paper, the certainty of success, the quantity thrown into circulation reduced its value to a trifle.†

Neither does the opinion, that the depreciation of Government Notes and of State Bills of Credit has been uniformly and exclusively the effect of an over issue, rest solely on what occurred in the course of the French and American revolutions.

---

* Ibidem, 1779, p. 41.

† On this subject, see an Essay on Money, by the Rev. Dr. Witherspoon.

These, indeed, may be considered as the instances in which this abuse has recently been carried to the greatest extent, but the history of all our American colonies, whose respective governments, in the early part of the last century, issued Bills of Credit, form one continued illustration of the principle.

The paper emitted in all of them, at first circulated at par, or, as they expressed it, at silver value. Those who regulated the amount thrown into circulation by the dictates of prudence, were rewarded with the continuance of a metallic circulation, and a favourable exchange. Those, on the other hand, who rashly presumed on seeing a small amount circulate at par, that they had discovered an inexhaustible mine, and who listened to the sophistry of many, who in those days as at present, argued, that the terms, Dollar, Crown, Livre, Pound, were to be considered as exponents or denominations of certain proportions; and that by retaining the denomination after the bullion was gone, things might be rated, bought and sold, and a commercial circulation kept up; had daily experience of the fallacy of the theory on which they acted.

For when, in any of these colonies, large sums were emitted, silver and exchange uniformly rose. When Bills were cancelled, in value equal to what was paid out, silver and exchange were at a

stand; and when more in amount were cancelled than were emitted, exchange became more favourable, and silver fell.*

But the history of the paper issued by the governments of New York and of Barbadoes, furnishes of all others the most complete proof that government paper, if issued with prudence, will, like the notes of a corporate body, circulate at par; and that the depreciation of Bills of Credit uniformly arises from an imprudent extension of the amount.

In the former, just as the mass of paper was increased, silver increased in value, and exchange became unfavourable, till it rose to four hundred and forty; when the cancelling a greater value in one year than was emitted, reduced the exchange to four hundred.† In the latter, encouraged by

---

* See the Discourse concerning the Currencies of the British Plantations in America, especially with regard to their Paper Money, first printed in Boston, afterwards reprinted in London.

† In New England, after silver had rose A. 1706, to 8*s*. per ounce, by light pieces of eight superseding the heavy pieces, it continued at that rate while paper emissions did not exceed a due proportion to the current silver. A. 1714 we emitted £50,000. upon loan; and A. 1715 in Rhode Island £40,000. besides emissions on distant funds for charges of government: in the autumn A. 1715, silver became 15 per cent. advance above 8*s*. that is,

Dollars circulating at par, when emitted to the extent of sixteen thousand, they were induced to enlarge the issue of Bills to the amount of eighty thousand pounds more, when the whole immediately fell forty per cent. below silver value, at which rate they remained till, by an order from home, they were again reduced to sixteen thousand pounds, when they resumed their value, and continued to circulate at par.

But it is needless to multiply illustrations of a

---

is, about 9*s*. 2*d*. per ounce; Massachuset's Bay, A. 1717, emitted £100,000. upon loan, at a very long period: silver rose to 12*s*. per ounce. A. 1721, Massachuset's Bay emitted £50,000. and Rhode Island £40,000. upon loan: silver A. 1722, became 14*s*. per ounce. From that time a chargeable Indian war required large emissions, and silver rose to 16*s*. per ounce: it continued at this rate till A. 1728, emissions not being larger than cancelling. A. 1727, Massachuset's Bay emitted £60,000. and A. 1728, Rhode Island emitted £40,000. upon loans; silver became 18*s*. per ounce. A. 1731, Rhode Island emitted £60,000. upon loan. (*N. B.* Besides the several loans in the course of this history, all the charges of the four governments were defrayed by paper emissions,) and silver became A. 1732, 21*s*. per ounce. A. 1733, Massachuset's Bay emitted £76,000. upon Funds of Taxes; Rhode Island, £104,000 upon loan and taxes; Connecticut £50,000. upon loan, and A. 1734, silver became 24*s*. per ounce. From A. 1734 to 1738 more bills were cancelled than emitted; Exchange fell from 440 to 400 per cent. advance. A. 1738 Rhode Island emitted £100,000. upon loan; silver rose from 27*s*. to 29*s*. per ounce.

Discourse concerning the Currencies of the British Plantations. Page 23. Edition 1751.

principle, over and over again recognised, and acted upon by the British legislature, in the case of Bills of Credit issued by our colonial governments.*

---

* *Preamble to the Act of the 24th Geo. II. ch. 53.*

Whereas the Act of Parliament, made in the sixth year of her late Majesty Queen Anne, intituled, An Act for ascertaining the Rate of foreign Coins in her Majesty's Plantations in America, hath been entirely frustrated in his Majesty's said Colonies of Rhode Island, and Providence Plantations, Connecticut, Massachuset's Bay, and New Hampshire in America, by their creating and issuing from time to time, great quantities of Paper Bills of Credit, by virtue of acts of assembly, orders, resolutions, or votes, made or passed by their respective assemblies, and making legal the tender of such Bills of Credit in payment for debts, dues, and demands; which Bills of Credit have for many years past been depreciating in their value, by means whereof all debts of late years have been paid and satisfied with a much less value than was contracted for, which hath been a great discouragement and prejudice to the trade and commerce of his Majesty's subjects.

Extract from the Preamble of the 4th of Geo. III. ch. 34.

Whereas great quantities of Paper Bills of Credit have been created and issued in his Majesty's Colonies or Plantations in America, by virtue of acts, orders, resolutions, or votes of assembly, making and declaring such Bills of Credit to be legal tender in payments of money: And whereas such Bills of Credit have greatly depreciated in their value, by means whereof debts have been discharged with a much less value than was contracted for, to the great discouragement and prejudice of the trade and commerce of his Majesty's subjects by occasioning confusion in dealing.

Distinctly, however, as a limitation of the amount of issues has been stated and recognized by parliament, in the year 1751, and again in the year 1763, as essential to the maintenance of the Credit of State Notes; it is impossible that any one conversant with the conduct both of the Directors of the Bank of England, and of the Banks in Scotland, should not perceive that a due attention to the circumstance of the quantity of paper issued has been always considered as equally necessary for the preservation of the value of the notes circulated by those establishments.

So much were the Directors of the Bank of England convinced of the advantage of possessing at all times, even an extraordinary power of diminishing the mass of notes thrown into circulation, that for many years, when the interest of money was very low, they borrowed one hundred thousand annually, at six and a half per cent. to have the privilege of calling on the lenders at a moment's notice for nine hundred thousand more, acquiring in return for the extraordinary interest paid, nothing but the power, by calling in the nine hundred thousand pounds, of rapidly withdrawing that amount of their notes from circulation.

In Scotland, about the year 1762, the Exchange with London had become highly unfavourable, and coin bore a considerable premium, insomuch that tedious obstructions were thrown in the way

of cash payments, which were at last obtained from the Bank with the greatest difficulty. The Directors acting under a conviction that this was the effect of an over-issue and consequent depreciation of paper, came to a resolution on the 26th of January of that year, of limiting their issues, by calling in one-fourth of their cash accounts, and in the month of March following they determined for the same purpose to borrow money at five per cent. on Promissory Notes at six months, and four per cent. on cash accounts.

This conduct was described at the time as highly illiberal; it was arraigned as ruinous to the progress of trade and manufactures: the Directors were told that the more they lent on paper security, the greater was the safety of their establishment, for that by such loans trade was increased, and that increase of trade, extending the number of transactions, was sure to give rise to a demand for a greater quantity of circulating medium.*

Even Sir James Steuart, seems to have disapproved of their conduct, declaring that he could not discern the benefit a bank could derive from borrowing in a country in which it was the centre

* See Considerations relating to the late order of the two Banks established at Edinburgh, by which they have recalled one-fourth of their cash accompts. *Printed* 1762.

of circulation; nor what advantage it could acquire by withholding its notes from those who could give good security for them.*

Fortunately, however, for the country, the Directors persevered in the salutary expedient of limiting their issues; in which course they were encouraged, whilst their conduct was ably defended by a person of the highest rank and reputation for talents,† and the wisdom of the measure was subsequently proved by its complete success. For the author of the Wealth of Nations, who discerned that it was an excess of paper that gave rise to these appearances, tells us, that the banks, by refusing to give more credit to those to whom they had already given a great deal too much, took the only method by which it was possible to save either their own credit, or the public credit of the country.‡

No series of events, however, so distinctly displays the effects of an excess either of Government Paper, or of Bank Paper, as those that took place in the early part of the reign of William III. be-

---

* An Inquiry into the Principles of Political Economy. Vol. ii. page 184.

† See Letter to J. F. supposed to have been written by Lord Elibank.

‡ Wealth of Nations. Quarto Edition, vol. i. page 379.

fore and immediately after the establishment of the Bank of England.

For whilst the facts that may be collected from indisputable authority, leave no doubt of the nature of the economical evil under which the country then suffered, the details rightly understood, at once shew the injurious effects of an over-issue of Government as well as of Bank Paper, and throw a fatal light on the fancied prosperity which of late years has been so much boasted of.

Sir James Steuart says, that at the revolution, when gold was to silver rather above the proportion of one to fifteen, as appears by the convention of Leipsic, when the German coinage was regulated in 1690, guineas were at twenty one shillings and sixpence; and from hence he infers with certainty, that the English silver coin was standard weight, because the guinea being left to seek its own price, did not rise above that sum, which is in the proportion of fifteen and six-tenths to one.*

Within a very few years, however, after that happy event, the silver coin of England was by washing and clipping much diminished in its real

* Inquiry into the Principles of Political Economy. Vol. i. page 604.

value, for the statements both of Mr. Locke and of Mr. Lowndes, in the beginning of the year 1695, concur to make this indisputable, whilst the former, by celebrating the dexterity attained by those concerned in this gainful and secret robbery shews, that when he wrote, the practice must have endured for some time.

Though the prevalence of this fraud, the laws remaining the same, makes it apparent, that some incident must have occurred peculiarly calculated to encourage the criminal practice which in a few years became so universal; yet by historians as well as economical writers, the circumstance remains unaccounted for.

To those, however, who reflect that soon after the revolution, the expences of the war induced government to issue Tallies, which being struck for sums as low as five and ten pounds, circulated as Government Paper; and that these were gradually forced on the public, till in the year 1694 they were at thirty per cent. discount, the occurrence cannot appear extraordinary.* On the con-

* The Bank gives money for Tallies on Funds, having a credit of loan by act of parliament, and which are payable in two years time, for the growing interest only, without any other allowance, on which there was used to be paid for the change as much or more than the public interest. For even on the Land Tax, which

trary, it would have been strange indeed if that adulteration of the current coin had not taken place in this country, which in Sweden, in our American colonies, and in all other parts of the world, had been the constant and uniform attendant on an over-issue of paper.

Accordingly it is certain, that on the 27th of July, 1694, when the Charter of the Bank of England was granted by the crown, as empowered by the 5th of William III. these Tallies or Government Notes were at a discount of at least thirty per cent. whilst the silver coin, then the only

---

which is counted the best of all the funds, there has been frequently given on Tallies payable in three or four months time, one pound, one and a half, one and three-quarters, and two per cent. premio, over and above the public interest; and Tallies on some funds, on which but twelve or eighteen months past, there was £25. and thirty per cent. given over and above the public interest, are now taken by the banks for nothing; and instead of allowing money to change them, there is now money given to procure them; so that Tallies are become better than money, because there is seven or eight per cent. per annum benefit whilst they are kept; and they are paid by the Bank upon demand.

Short Account of the Bank of England: printed 1695, p. 2. *The author of this Tract, Michael Godfrey, Esq. was, at the time, Deputy Governor of the Bank of England.*

The Bank of England hath also in twelve months past greatly advanced the reputation of Tallies, which are now become (instead of thirty per cent. loss on them) to be as desirable as money itself;

legal tender, was nearly in a corresponding state of depreciation.

By the great purchases of Tallies speedily made on account of the Bank, as well as by the facility of purchasing, to which the liberal accommodation afforded to individuals by that establishment gave rise, this species of government paper was rapidly withdrawn from circulation, and of course soon brought to par.*

But the substitution of Bank Paper not bearing interest, instead of Tallies bearing interest, that were thus withdrawn, more especially as the former were circulated to a greater amount, was rather calculated to accelerate than to retard the progress of the evil which occasioned the debasement of the coin: and, as might therefore be expected, the silver currency was, in the month of January following, in such a state as to attract the attention of parliament; when a committee of

---

itself; and therefore, instead of giving money to change them, money has been given to procure them.

Reasons for encouraging the Bank of England: printed 1695, page 3.

* The private necessities of single persons have been also easily and cheaply supplied in these instances; viz.

I. In lending money on Mortgages, at five per cent. without any procuration or continuation.

II. In discounting foreign and inland Bills of Exchange, some at three per cent. and others at four and a half per cent.

III.

the House of Commons was appointed to receive proposals how to prevent clipping of the coin: And though in the course of that session of parliament, no final legislative arrangement resulted from this measure, the intention of government to renew the silver money of the kingdom, at the public expence, became apparent, from the report made on the 12th of March, and the resolution of the House on the 11th of April following.*

That the clipping and adulteration of the coin

III. In lending money on pawns at five per cent. whereas some in their necessities have heretofore paid above 100 per cent. for money lent them on pawns.

Ibidem, p. 4.

* Mr. Scobell reported from the committee appointed to receive proposals how to prevent clipping of the coin of this kingdom for the future; and the exportation of silver; and to report the same to the House: that the committee had received several proposals accordingly, and had agreed upon several resolutions; which they had, directed him to report to the House; and he read the same in his place, and afterwards delivered the same in, at the clerk's table; and are as follow, viz.

I. Resolved, That it is the opinion of this committee, that the best way to prevent clipping the silver coin of this kingdom for the future is to new-coin the same into milled money.

II. Resolved, That it is the opinion of this committee, that ten hundred thousand pounds is a sufficient sum to make good the deficiency of the present clipped coin of this kingdom.

Journals of the House of Commons, 12th of March, p. 265.

On the 11th of April following, it appears, that on taking this report

about this time increased to a most alarming degree, is recorded in a variety of publications of the day.* By some the coin is said to have been even more impaired during the short space of time that elapsed betwixt this period and its being called in, than it was in the course of the five preceding years;† and that

---

report into consideration, the House agreed with the Committee in the resolution, that a fund be granted to his Majesty for the encouragement of the mint.

* I would hope that it is not so bad as we fancy, and that great quantities of large money are hoarded up by those that can keep it, which is laid by now upon the fear of an alteration; and if nothing be done in it, necessity may force that abroad, and so come to be clipt, and thereby make the loss greater. *You have seen, and are convinced that had it been done in* 1694, *your money was not then so bad as it now is,* and it's dangerous to let a thing run too long without repair.

See a Letter from an English Merchant at Amsterdam, concerning the Trade and Coin of England, page 6, —1695.

And how dishonourable it is to the King and kingdom, that our money should be *so suddenly* debased to such a shameful degree, foreign states will soon determine.

See—The regulating Silver Coin made practicable and easy—1696—page 8.

† Historians who give an account of this transaction (the Resolution of the House of Commons in relation to renewing this money) think it not improbable, that more was clipt under the general licence than had been before.

Lord Liverpool, on the Coin of the Realm, page 191.

this must have happened is evident, when we reflect on the nature of the resolution adopted by the House of Commons, for in announcing that government was to be at the expence of renewing the coin, they proclaimed the certainty of profit to those who, by filing or by clipping, chose farther to reduce what was called its intrinsic value.

In such a situation, the necessity of paying in cash on demand ;—that salutary means of restraining the issues of all banks within those limits which the trade of a country requires, must have become nugatory as a check ; for though many, as at all other times, must have been anxious to procure loans from the bank, the notes thus issued never could be returned upon them, as no one could desire to obtain in exchange for notes of an establishment in full credit, coin that could only circulate within the kingdom, and the real value of which, in the year 1695, and the beginning of the year 1696, hardly amounted to one half of what its deno mination announced.*

Thus, without any legislative restriction on cash

* Mr. Huskisson, in his pamphlet (page 103) and some other of the recent publications, have stated the coin in the reign of William III. to have been impaired thirty per cent. There can be no doubt, however, as appears by a variety of authorities, of which the following are a selection, that one hundred pounds in tale

payments, the circumstances of the country practically imposed a complete bar to the possibility of a demand on the Bank for coin; for no holder of notes

---

tale was in value only equal to fifty pounds as issued from the mint.

No. I.—A Computation of the common weight of One Hundred Pounds of Tale in ordinary Silver Money at this day, taken from a Medium of the Bags weighed at the Receipt of Exchequer, in May, June, and July last, as it is given in Mr. Lowndes's Report, containing an Essay for the Amendment of the Silver Coin.

No. of Bags.	*What they ought to weigh.*			*Weight at the Exchequer.*			*Deficiency.*		
	oz.	*dwts.*	*grs.*	*oz.*	*dwts.*	*grs.*	*oz.*	*dwts.*	*grs.*
40	15,483	16	16	8,095	5	0	7,388	11	16
74	28,645	1	20	14,373	5	0	14,271	16	2
133	51,483	14	22	27,318	0	0	24,165	14	2
120	46,451	10	0	23,496	15	0	22,295	15	0
105	40,645	1	6	20,899	15	0	19,745	6	6
100	38,709	11	16	19,588	5	0	19,121	6	16
572	221,418	16	8	113,771	5	0	107,647	11	8

	oz.	*dwts.*	*grs.*
The medium of the weight of each hundred pounds,	198	18	0½
The medium of the deficiency	188	3	21½
	387	1	22

No. II.—Extract of an Essay for regulating of the Coin, by A. W. Merchant. 1696.

I have gone to several goldsmiths in London, and have got them to take out of their counters, a bag of one hundred pounds (as came to hand) which upon trial I have found at one place to weigh t—

A bag

could wish to get cash, that was less valuable, in exchange for what was generally esteemed so much

	oz.	dwts.	gr.
A bag of £100	230	13	6
Another place £100 weighed	222	0	15
Another place	198	17	0
Another place	190	0	0
Another place	182	8	0
Another place	174	11	20
	1198	5	17

The six hundred pounds, weighing in all one thousand, one hundred, and ninety-eight ounces, five pennyweights, and seventeen grains, and is no more than what three hundred and ten pounds in milled money will weigh.

But as it is believed that the money in the country is generally not the one half so bad as it is in and near London, I have procured an account to be sent me from the following cities:

	oz.	dwts.	gr.
In the city of Bristol one bag of £100 weighed	240	0	0
Another weighed	227	15	0
In the city of Cambridge a bag of £100 weighed	203	5	10
Another weighed	211	0	19
In the city of Exon, one bag of £100 weighed	180	7	0
Another weighed	192	8	0
In the city of Oxford, £100 in half-crowns weighed	216	10	0
£100 in shillings	198	0	15
Oz.	1669	1	20

The eight hundred pounds weighing sixteen hundred and sixty-nine ounces, one penny weight, and twenty grains, is not more than four hundred and thirty-one pounds, fifteen shillings, of milled money will weigh.

No. III.—In Sir Richard Temple's short Remarks on Mr. Locke's Book, printed 1696, it is stated, page 9, That our silver

more valuable, that even with a premium it required great industry to obtain them.*

---

coin, by reason of its clipping, was not worth a moiety of its intrinsic value.

No. IV.—See also, to the same effect Sir James Steuart, Quarto Edition, vol. i. page 605; and Lord Liverpool, page 76-7.

* No. I.—Bank Bills were sold for money, at half per cent. profit to the seller, and every body made use of their friends and interest to get their money lodged in the Bank, and that for sundry reasons.

As first, that money was so diminished and adulterated, that none could receive and pay it without trouble and loss. And,

Secondly, The Bank was esteemed a secure repository, not only upon account of their credit, it had always had and preserved from its first opening, but also for the great reputation of the managers of it, and likewise for its fund being settled by Act of Parliament, which is the greatest security any Englishman can have for his property.

Arguments and Reasons for and against engrafting upon the Bank of England, p. 6. *Printed November* 1696.

No. II.—At length by the rumour of calling in our coin, which made every one glad of any tolerable occasion to thrust it away from them; the difficulty also of counting it, and knowing either one species from another, or what was good, or what bad, inclining all persons to lodge their money with goldsmiths, merchants, or factors, to call for it as they had need, which trustees minding their own profit, bestowed it some way or other upon trade in way of circulation.

The Present State of England, as to Coin and public Charges, by J. Hodges, printed 1697, p. 77.

See also by the same author, the Groans of the Poor, the Misery

There is a uniformity in the conduct of men, in all transactions under similar circumstances, which shews how much our ideas as well as our actions are guided by the events of the day; neither is there any description of concerns in which this propensity is at all times so distinctly to be discerned, as in what relates to our pecuniary interests: and of this observation there is, perhaps, no where to be found a more powerful illustration, than what results from a comparison of the sentiments, and of the conduct of those who had in 1695 the management of the Bank of England, with that of those who have recently enjoyed the direction of that establishment.

For though the Governor and Deputy Governor of the Bank, acting under the restriction on cash payments, imposed by the legislature in 1797, had certainly adopted very erroneous opinions, when they announced, "Avoiding as much as possible "the discounting of what did not appear to be le- "gitimate mercantile paper," as an ample and satisfactory criterion for regulating their issues;* yet even this rule of conduct does not appear more calculated to occasion an excess of circulating paper, than that announced by the Deputy Go-

---

sery of Traders, and the Calamity of the Public for Want of our Money. Printed 1696, page 14, where he distinctly states, that he had seen great striving to obtain Bank Notes.

* Report of the Bullion Committee, p. 97.

vernor in the year 1695, acting under the restrictions in cash payments, which the state of our coin practically imposed, when he unequivocally stated, "that all who wanted money, and who had "securities, knew where to be supplied."*

Accordingly, the extent of paper issued betwixt the time of the Bank's being established, and the spring of the year 1696, was proportionally greater, and the increase of it certainly much more sudden than it has been, even in our time.†

---

* See a short Account of the Bank of England, by Michael Godfrey, Esq: *published in* 1695, p. 3.

† No. I.—In a letter to a friend concerning the credit of the nation, and concerning the Bank of England, printed 1697, alluding to the year 1695, it is said, that with that paper credit, that is, with goldsmiths and with Bank Notes, which amounted to near as much as all our current coin, the greatest part of our trade in and about this city of London was driven.

All foreign and inland Bills of Exchange, and all great payments were made in those notes, and very seldom any considerable sums were paid or received in money.

No. II.—And of late, when the coin grew so corrupted, the gold and silver did, as it were, but minister in the market, while all great dealings were transacted by Tallies, Bank Bills, and Goldsmiths' Notes.

Paper credit did not only supply the place of running cash, but greatly multiplied the kingdom's stock. For Tallies and Bank Bills did to many uses serve as well, and to some better, than gold and silver; and this artificial wealth which necessity had

At present it is a matter of dispute, whether the principles on which the Bank conduct the circulation of the country, is, or is not of advantage to the community. For whilst all who can think, are convinced that the superabundance of circulat-

---

had introduced, did make us less feel the want of that real treasure the war and our losses at sea had drawn out of the nation. *Davenant's Works*, vol. i. p. 442.

No. III.—In a discourse concerning a Lombard Office, printed 1696, page 1, it is expressly stated, that the circulation of paper was at that time so extensive, that it appeared more than probable the national cash was hardly a third-part of the medium of commerce.

No. IV.—In Mr. Law's book, entitled, Money and Trade considered, it is said (Glasgow Edition, page 69) that "this "Bank, (meaning the Bank of England,) was safer than the "Goldsmiths' Notes in use before: it made a great addition to "the money, having a much greater sum of notes out, than "money in Bank, and the sum lent the king, which was the "fund belonging to the subscribers, was negociated at profit, and "had the same effect in trade as money."

Many other authorities might be quoted on this subject, but it appears unnecessary, because the extent of notes which must have been thrown into circulation cannot be doubted, when Mr. Godfrey, the Deputy Governor, states, that within a year they had raised Tallies from thirty per cent. discount to a premium, and lowered interest to a great extent. Indeed we are told in the argument for and against engrafting on the Bank, that Tallies were at thirty per cent. discount, and that goldsmiths had twelve and fourteen per cent. for discounting foreign Bills of Exchange, the former of which were soon brought by the Bank to par, whilst the discount of the latter was reduced to three per cent. page 15.

ing medium, or of unemployed capital, has advanced the price of commodities; raised the value of bullion; banished our coin from circulation; and rendered the exchange with foreign countries unfavourable; there are some from folly, and others from motives of interest, who attribute the augmentation of price to that increased demand which prosperity creates; whilst they profess to see ample means of accounting for the unfavourable exchange, and for a rise in the price of bullion, such as to make our coin disappear, in the state of the continent, that is falsely described as rendering the ingress of our commodities impossible, and as creating on that account a demand for our gold.

It is certain, however, that when the state of our coin, by preventing the possibility of a demand for cash, in exchange for the Bank Notes thrown into circulation, left Mr. Godfrey and his associates in the direction to conduct the concerns of the Bank without any chance of their experiencing a call for coin, the economical occurrences which attended the increase, and ceased with the diminution of their issues, can only be ascribed to a superabundance of paper.

Yet a rapid rise in the price of our commodities and of guineas, which at that time circulated as commodities;—a great reduction in the rate of interest;—a wonderful augmentation in the value of government securities;—and a still more rapid rise

in the value of Bank Stock, are all features, which as well as an advance in the price of gold,—and an increase of the unfavourable rate of exchange with foreign countries, distinguished the pecuniary history of the short space betwixt the establishment of the Bank of England, and the 4th of May, 1696, after which, under the enactment of the 7th of William and Mary, cap. i. sect. 5. it became the interest of individuals to return the surplus of notes in circulation for that standard coin in which even their taxes could alone be paid.*

---

* That the price of commodities rapidly advanced in the year 1695, is asserted on the following authorities.

1st,—In Mr. Lowndes' Report containing an Essay for the Amendment of the Silver Coins, printed 1695, page 115, he states the people to suffer under great grievance, from the raising of the price not only of merchandise, but even of edibles and other necessaries for the sustenance of the common people.

2d,—In a Dialogue betwixt a Country Gentleman and a Merchant, concerning the fall of our guineas, wherein the whole argument relating to our money is discussed, printed February 1695, page 6, it is stated, "that the country had a brisk trade all the "last summer, in selling their manufactures at extraordinary "rates."

3d,—In a pamphlet entitled "The Groans of the Poor, the "Misery of Traders," by William Hodges, printed 1696, it is said page 16, that foreigners "have taken our goods of late in-"stead of money, and all our manufactures in England hath had "the greatest trade for exportation this year, *that it may be hath* "*been* this twenty years; and our goods risen.

4th,—In an Essay for lowering the Gold and raising the Silver Coin, printed January 1696, page 27, it is said, "it is plain all commodities

It does not indeed appear, either in the discussion that took place on the bill for remedying the ill state of the coin of the kingdom, or on any other occasion

---

commodities are "more advanced in price than guineas are by "name."

5th,—In a short treatise on the Reason and Causes why our Money and Bullion have been exported, printed early in 1697, it is stated, (page 18) that "Wool, which was sold at 36s. a tod, "about a year ago, has since the regulation of our coin been sold "for twenty shillings."

6th,—In a pamphlet entitled The Alteration of the Coin, with a feasible method to do it, humbly proposed to both Houses of Parliament, by Thomas Houton, of Lime-Street, Gentleman, printed 1695 (page 43) it is said, "Is there any thing more "fresh in our memory than what the people of this kingdom have "suffered for six years past, during all which time the manufac-"tures and goods of our products, as lead, tin, all sorts of cloth-"ing, &c. have been at such low prices." He then proceeds to state how much the times have grown better since the advance of guineas and the rise of goods.

The augmentation in the price of government securities is asserted on the authority already cited, note, page 106, to which many others might be added.

Of the value of the stock of the Bank of England, in the year 1695, we have the following account in a pamphlet, entitled, Arguments and Reasons for and against engrafting on the Bank of England, page 15.

And we found in a little time after the Bank was established, they obtained a mighty credit, and made considerable profits besides the 8 per cent. interest, though they made no advantage by discounting of tallies, and so brought them to par, and the discount of foreign Bills of Exchange from 14 to 8 per cent.

Those

during the session of parliament which terminated in the end of April, 1696, that the probable effects of this sudden transition from the

---

Those great profits, and a just expectation of their continuance and increase, made every body desirous to buy bank-stock, and so in eighteen months after it was established, stock was sold at near 110 per cent, although at that time 60 per cent. was only paid in upon the subscription.

Various authorities may be adduced to shew the state of exchange at this time.

First, see A further Attempt towards a Reformation of the Coin, by R. Ford, page 10.—*Printed* 1696.

Secondly, see a Statement of the Exchange with Scotland and Ireland, in a Treatise concerning the Coin of the Kingdom, by R. C.—*Printed* 1696, *page* 15.

That the price of gold was advanced, and that similar causes were assigned for it, as have been of late, appears from the following very curious extracts from a Dialogue, printed in a Discourse of Money, in a letter to a Nobleman, 1696.

Question—"I would willingly be instructed by your reasons, how and in what manner this scarcity and dearness of gold and silver is come to pass in the world; for the true reason being known and consented to, good use, I do not doubt, may be made to the public, of such knowledge.

"Answer—The reasons and causes of this scarcity I take to be manifold: I will name but a few, and shall begin with a main cause: and that is, the long and obstinate war in Europe, whereby, through the passion and ambition of princes and states, the regular established methods of business and intercourse of the world is broken. By sea, there is nothing but violence, piracy, and depredation; whereby the hands of industry are weakened, and the great channel and roads of the world's commerce is possessed and beset by enemies and robbers."

He

clipped money to coin of the standard value—on the price of commodities,—on the state of the bank circulation,—and on public credit, was at all anticipated.

He then proceeds—"Thus it is with us (by sea,—by land the "war rages more universally, and with greater violence, though "not so sensible to our feelings here in England, because our situ- "ation has hitherto secured us from hostilities at our doors, and "our fields and farms are not yet foraged and plundered as our "neighbours are; but what we pay, as I may say, to be ex- "empted from such violence, is almost tantamount, and at a long "run will as certainly impoverish and undo us."

He states, "That there are captious and sceptical contenders, "who will be apt to ask, Does war annihilate your money? Is "your gold and silver dissolved, or gone into the earth from "whence 'twas taken? This is malice and trifling, and nothing "else. To these gentlemen then, and out of respect to truth and "plain dealing, these few following reasons of the chief causes of "poverty, and scarcity of money by war, are tendered."

The author then discusses, what he calls the causes of the decay and scarcity of treasure by warfare: in the course of which he uses many of those arguments we have seen in a variety of pamphlets during the last year;—and he concludes with the following passage, which so forcibly shews the resemblance betwixt the then and the present state of the country.

"To these common and evident causes of the evils, incident "to war in general, we may here subjoin why war is of late more "burthensome than heretofore, and that is by the overgrown "greatness of the French monarch, that aspiring prince who "would put a yoke on the neck of Europe, conceiving that by "the force of an immense treasure, whereby being enabled to "bring greater bodies of strength into the field than was ever "before practised in our hostilities on this side of the world, he "was given to hope, perhaps, thereby to overwhelm us; which "design, though we see hitherto to want the effect, we are from "thence

The science of banking was then in its infancy; neither the benefits to be derived from paper properly regulated, nor the mischiefs attending the abuse of it, had become matter of history. The Bank of England itself had not been established for two whole years; and from the circumstance of the times, it had never felt the consequences of that check which naturally arises out of the necessity of paying on demand in coin equivalent in value to denomination of the note.

At that time there existed none who had seen Bank Notes, after circulating at par with coin in real value equal to the denomination of the notes, reduced to circulate with tokens of inferior value, under circumstances in which no penalties, however severe, could retain standard coin in circulation; otherwise the process of reasoning could not have been very complicated, that must have given rise to a doubt whether notes, when suddenly issued to such an extent as to raise the value of public securities 30 per cent. and to lower the discount on bills from 14 to 3 per cent.* could remain in circulation when payable on demand in coin of standard value, though they might even bear a pre-

---

" thence nevertheless instructed in the causes of this over burden-
" some warfare, whereby we are put under an inevitable necessity
" of providing an equal force, which produces an equal charge, to
" withstand him, which I thought necessary to note."

* See note, No. IV. page 117.

mium, when only payable in coin depreciated to the extent of 50 per cent.

But though the consequences of the legislature's removing the practical restraints upon cash payments at the Bank, by making all payments in clipped money cease in the month of May, 1696, seems by no one to have been foreseen, they could not fail almost instantly to display themselves, and indeed to become but too perceptible.

Those in whose hands that surplus of notes remained, by attempting to dispose of which so as to acquire a profit, the value of Exchequer Bills and of commodities had been raised, and the interest of money had been so extremely diminished, feeling the immediate advantage of realizing in coin that denomination of wealth they had acquired in exchange for the commodities they had sold, whilst the price of goods was so greatly advanced; naturally hurried to demand payment at the Bank.

The avenues to that establishment no longer, as in 1695, frequented by men soliciting for notes even at a premium, in exchange for money alarmingly depreciated in real, and doubtful in its future legal value, were now eagerly crowded by those who were anxious to acquire the standard coin of the country in return for their notes.

The Directors of the Bank made every exertion to correct the evil which their unchecked desire of gain had inflicted on themselves and the public; 40 per cent. on their capital, which had never been received, being called in from the proprietors, was a means of withdrawing four hundred and eighty thousand pounds worth of notes from circulation, whilst an attempt was made to sink two hundred and forty more, by borrowing 20 per cent. from the proprietors.* Tallies were thrown into the market till the extent of the discount made it ruinous to part with them;† and money was borrowed at an interest of six or seven per cent. on sealed bills, to a great amount.‡

---

* See a Reply to the Defence of the Bank: printed 1696, where, in page 10, they are stated to have called in 40 per cent. and to have borrowed 20 from the proprietors.

See also Arguments for and against engrafting on the Bank of England.—*Printed* 1696, *page* 9.

† See the History of King William, printed 1703, vol. iii. page 195, in which it is said that Tallies were at this time discounted at 50 and even at 60 per cent. discount.

See also A Defence of the Bank of England, page 8, printed 1707.

‡ When the Bank of England were called upon by parliament for an account of their stock, in the month of December, 1696, it appeared that sealed bills, bearing interest of 6 or 7 per cent. had been issued to the extent of £893,800; and the Bank Notes running for cash were reduced to £724,196.

See Appendix, No. 2, containing the account of stock for the honourable the Governor and Company of the Bank of England, with the Report of the Committee, as given in the Journals of the House of Commons.

These several measures all calculated to raise the value of notes, in reference to that of commodities, by withdrawing that excess forced into circulation during the practical restriction occasioned by the state of the coin, had the desired effect of removing that depreciation which superabundance had occasioned.

But the desire for coin was so sudden and had been so unexpected, that all the efforts of the directors could not provide cash sufficient so satisfy the call on the Bank, and hesitation in payment, which must be always fatal to credit, naturally increased the demand, so that before the end of the month of May, they were reduced to offer in cash only ten per cent. in a fortnight on the value of the notes, which were presented for payment; and even this insignificant portion of cash was gradually diminished, till in the three months antecedent to the meeting of parliament in October, they found themselves incapable of giving more than three per cent. in cash on the value of the notes for which payment in coin was anxiously pressed. *

* The following Extract, No. I. from page 6 of a pamphlet, entitled, "Arguments and Reasons for and against engrafting upon the Bank of England, with Tallies, &c. as they were debated in a late general Court of the said Bank, considered, in a Letter to a Friend," shews, that Bank Notes must have begun to be at a discount as against money, just about the 4th of May, on which day an end was put by law to payment in clipt money; whilst

It was under these circumstances that a very considerable depreciation from loss of credit succeeded to that more formidable depreciation, to which during the year 1695, and during the spring of 1696, excess had imperceptibly given rise: for, in the autumn of that year, when the bank became so deficient in cash payments, their notes got to a discount of seventeen, nay, of twenty per cent.*

There exists, perhaps, no record of circum-

---

whilst the Extract, No. II. from the "Reply to the Defence of the Bank," page 10, printed 1696, shews the rapid progress of the discount.

No. I.—"It is well known that till May last, the Bank of England Notes were not only esteemed equal to money, but preferred much before it; and every one in this city, when they sold any goods, endeavoured to contract for payment in Bank Notes, and not in money: nay, Bank Bills were sold for money at half per cent. profit to the seller; and every body made use of their friends and interest to get their money lodged in the Bank.

No. II.—"But it remains a secret to me, and most others at present (if their practices be just and honourable) how their payments should be at first 10 per cent. once a fortnight;—then but 7 or 8 per cent. once in a month:—then to give no notes out by endorsement under five pounds;—afterwards none under twenty; then to pay only according to the letters of the alphabet (and that every morning) afterwards to pay but 3 or 4 per cent. once in three months, which is the present method of paying, according to the letters of the alphabet two days in a week."

* And it is now become a common (not to say wicked and unjust) practice, especially among retailers, if they have no notes by them, they will purchase some with their money at 17 per cent. advantage to pay their debts, that ought in justice and

stances that afford a more instructive lesson on the sound principles by which paper currency ought to be regulated, than what is to be collected from the economical history of this period. The Bank, within the short space of one year, saw their notes anxiously sought after, even at a small premium, when depreciated by excess,—and afterwards reduced by discredit, from their being obliged to delay cash payments, into a state in which they could with difficulty be circulated, even at twenty per cent. discount.*

Yet if we believe cotemporary writers, who are only the more deserving of credit, from their having been unconscious of the inference authorized

---

and in equity to be answered *in specie*, which many times proves a grinding of the face of the poor; for these notes are given in payment from one to another, until they light into an indigent person's hands, who is forced, through his urgent occasions, to sell them at 16 or 17 per cent. less.'

A short Treatise of the Reason and Cause why our Money and Bullion have been exported, printed 1697, page 14.

And this mischief became so great, that even Bank Bills were brought to a great discount.

A Vindication of the Bank of England, printed 1707, p. 11.

It is easy to imagine what pinching circumstances the nation was in, when the notes of the Bank of England, which had been a mighty help to the public, were discounted at twenty, and tallies at forty, fifty, or sixty per cent.

The History of King William, vol. iii. page 195.

* See No. I. and II. note, page 127.

by the facts they have detailed; the Notes of the Bank of England, when in 1696 they were at a discount of twenty per cent. in comparison of standard coin, were actually more valuable in reference to commodities, than when issued in superabundance they were sought after at a premium.

At the latter period we know that wool sold at the enormous price of thirty-six shillings a tod: at the former period it was reduced to twenty shillings.* In 1695, therefore, when the Bank of England Notes were said to be at a premium, a tod of wool could not be had under one pound sixteen shillings; that is, for less than one Bank Note and four-fifths of a Bank Note; whilst, in 1696, a tod of the same wool, though the Bank Note was only worth sixteen shillings, could be procured for twenty shillings, that is, for one Bank Note and one quarter of a Bank Note.

But the case of wool is only selected to explain and illustrate, what more or less took place in relation to the value of all commodities, as estimated in Bank Notes at these several periods. In truth, the price of every article was in like manner increased in 1695:—for we are distinctly told, that when guineas, the value of which was not then fixed by law, had advanced to thirty shillings, all

* See No. V. note, page 120.

commodities had proportionally sustained a more formidable rise.* Without, however, pushing things to an extreme, let us suppose that the rise in the value of guineas, which then circulated as commodities, only equalled that which took place with respect to all other commodities; it is, even on this supposition, evident that it must have required one twenty shilling note, and one half of a note, when notes in 1695 were in such abundance and so much sought after, to purchase that quantity of commodity which could be acquired in 1696, when in reference to cash they were at a discount of twenty per cent. for one note and three-eighths of a note. For, at the former period, it must have required one note and one half of a note to acquire a guinea, then of value thirty shillings. At the latter period, the note, though at twenty per cent. discount, being still worth sixteen shillings, one note, together with six shillings, which is three-eighths of sixteen shillings, made up twenty-two shillings, the value of a guinea.

It can hardly be objected to this reasoning, that in the year 1696, a guinea was by legislative enactment ordered not to pass, after the 10th of April, for more than twenty-two shillings. In truth the legislature might have spared itself the trouble of framing this regulation, for the moment light silver ceased to circulate, the quantity of paper was sure to be diminished; and this reduction

* See No. IV. note, page 119.

in the value of gold coin must of course have taken place.* But guineas are only here alluded to, as illustrating what actually was the case with other commodities, which we know, though the legislature did not interfere with their sale-prices, sustained similar and even more extensive variations in value.

Thus within the space of a few years, at an æra which may be considered that of the infancy of Paper Currency, the history of our own country displays:—First, government securities, reduced by the largeness of their amount, to circulate at a great discount, occasioning that adulteration of our coin which has been uniformly discernible in the coin of all countries where paper was depreciated from an over-issue.—Secondly, the notes of the Bank of England, when that establishment was practically relieved from all check on the extent of their circulation, issued to such an amount in accommodating individuals, and by purchasing public securities, as to reduce the market rate of interest, and to bring Government Paper to par; whilst the depreciation produced in the value of Bank Notes themselves, by the amount thus thrown into circulation, (distinctly marked by the sudden rise in the price of all commodities) only encouraged the activity that

* They soon fell to twenty-one shillings and sixpence; and a Resolution of the Commons House of Parliament, within two years, declared, that no person should be obliged to take the guinea above that rate.

prevailed in mutilating the coin that was condemned to circulate along with them.—Lastly, we see the issues of the Bank reduced to a great extent, in consequence of parliament's creating that check which liability to pay in cash, in real value, equal to the denomination of the note, must always afford; and that so suddenly, as from the impossibility of instantly complying with the demand for cash, to bring their notes into a state of depreciation, in reference to the lawful coin of the realm. These notes, however, even in this state, possessing a greater value relative to commodities, than they had when issued to a vast amount, and circulating at a premium; the antecedent depreciation from superabundance having been in itself more formidable than the subsequent depreciation from discredit.

To those who imagine that denomination can confer value, this must appear unintelligible, for they of course must conceive that depreciation cannot exist if not designated by denomination.

It is impossible, however, even for the wildest theorist amongst our modern practical men, to dispute that Bank Notes were of more value in reference to tin, to lead, to manufactures, and to edibles,* when a given quantity of any of these

* On looking over the tables of the price of wheat and malt in the

articles could in the summer of 1696, be obtained for one note and three-eighths of a note, than when the same quantity cost in 1695 one note and one-half of a note; and it is still more impossible to contend, that Bank Notes had not risen in value in comparison of wool, when one note and a fourth of a note purchased a tod of that commodity, which could not be obtained in 1695 for less than one note and four-fifths of a note.

Important as these details must appear, there is yet further instruction to be derived from what

---

the Windsor market, as printed in the Tracts on the Corn Trade; in Dr. Smith's Treatise on the Wealth of Nations; and in many other publications, notwithstanding what Mr. Lowndes has reported, on the value of (what he calls) edibles, it appears that wheat was lower in value in 1695 than 1696, though this was not the case with malt: grain, however, is an article that fluctuates so much in its value from year to year, that no inference can be drawn from the price it bears concerning the value of circulating medium, unless accompanied with accurate details on the comparative fertility of the seasons. Indeed the impossibility of drawing any conclusion from the price of wheat relative to the value of Paper Currency, becomes evident from what passed in the province of New York; for when in the year 1738 and 1739, it was by no one disputed, that a rise in the value of silver marked the extent of the depreciation of paper in circulation, it is recorded in the discourse concerning the currency of the British Plantations, that wheat sold at eighteen shillings a bushel in paper, when silver was only twenty-seven shillings an ounce, and that though in the latter year, silver advanced to twenty-nine shillings an ounce, wheat sold at ten shillings a bushel.

occurred at this, of all others, the period of our history the most fertile of information on the subject of Paper Currency.

That two sorts of money, of similar denomination, but differing in real value, or in public estimation, cannot circulate with each other, is a proposition that can hardly be disputed. For that desire of gain which regulates the pecuniary transactions of mankind, must always induce, even the most prodigal, to pay what he appreciates as of least value, and to withhold from circulation that which stands highest in his estimation.

Besides, when one of two sorts of money, of similar denomination, has sustained a gradual diminution of value in public opinion, it is evident that the interest which every man must feel to get rid of that which has fallen in value, lest it should diminish still farther, must force the depreciated money into circulation; whilst the certainty that the species of money whose value has proved more fixed and permanent, will acquire comparative value by the further depreciation of the other, furnishes a motive equally cogent for withholding from circulation what has hitherto maintained unimpaired value.

Thus in the year 1695, all money of standard-weight disappeared, whilst the clipped money and the Paper Currency circulated in such abundance;

but perhaps a still more forcible proof of this indisputable truth is to be derived from the circumstances attending the pecuniary history of the summer and autumn of the year 1696.

At that time, the sum of new money that had been delivered from the Mint was very considerable; and the quantity of gold that had circulated, in the preceding year, as well as of that which had been coined on account of individuals, was unexampled.*

The sum of Bank Notes that remained in circulation, was comparatively inconsiderable; but they were at a great discount,† and that discount appeared to be increasing. It was impossible, therefore, that the gold and silver coin possessing such a marked superiority of value, could circulate in conjunction with paper in such a state.‡

---

* See an Account printed in the Commons' Journals, vol. xi. page 447, of what guineas had been coined betwixt Lady Day 1695, and February 1696, containing a list of 147 persons for whom 721,280 guineas had been coined.

† See note, page 127.

‡ Now the consideration of this leads me to another sort of payment that greatly hinders money from coming abroad, and that is the Bank of England's Notes, that are daily offered in payment instead of money: and many of these very persons that offer them, have at the same time both gold and silver, which they will not bring forth, if they can by any means put off these bills in the room thereof.

Short Treatise on the Reason and Causes why our Money and Coin has been exported, page 13.

Accordingly we are informed, that it became a common practice, especially among retailers, if they had no notes by them, to purchase them for the purpose of paying that which both in justice and equity ought to have been paid in specie; that tradesmen in the country, who came to London to get payment of their just demands, could get nothing but Bank Notes; and that it required the interference of Government, who declared that Bank Notes were no lawful payment of foreign Bills, before the bill-holders could obtain coin from the merchant.*

In this state of things, Mr. Lowndes's reasoning,

---

* Now the true reason why people are so earnest to put away their notes, and keep up their money, arises from the difference between the value of the one and the other; and as long as there remains a disparity between them, the one will always be plenty and the other scarce. And if something be not done to prevent this growing evil, the Mint may coin, and the country expect a plenty of money thereby, and fall short of it at last; for the clothier, &c. comes to town, hoping to receive money to carry home to pay his labourers; and being put off with a Bank Note, and unwilling to lose so much by it, goes home without any: for want of which many cannot keep the poor at work.

Now the best cure (that I know of) for this disease, would be by making their notes as current and valuable in the eyes of the people, as money itself; which (I conceive) cannot be done but by the members of the Bank being enabled to pay all the demands that can be made upon them; for there is nothing (in my judgment), that can make notes or paper credit equal to money, but by their being answered by money whenever they are demanded, which was the only thing that made them pass as money at first, and gave them their original life and acceptance among

which Mr. Locke the year before had successfully controverted, by contending that silver could not rise in value in comparison of silver, and that the apparent rise of the metals only proved the depreciated state of the coin used to measure their value, was in substance renewed. The clipt coin,

---

among people; and if once there is a stop in payment of any sorts of notes, the credit of them immediately declines, without having a regard to the ability of the subscriber thereof.

And therefore if it be objected, that it is impossible for the Bank to procure money to answer their bills, or make them equal to money, then they will greatly hinder money from coming abroad, which produces many ill effects to the nation; upon which it will be much better to have them pass in no payment at all, which would cause money to circulate, and come more plentiful in trade than it does now.

And it is evident by this one instance, that money would come abroad more if those notes did not hinder it; viz. after the Bank made a demur upon the payment of their notes, the people began to refuse them upon foreign bills of exchange, upon which several merchants addressed themselves to the government about it; and many people alledged, that unless they would take Bank Notes in payment, the bills could no way be paid, there being not specie to be found to answer them; but after about fourteen days consideration the matter resulted in this, viz. that Bank Notes were no lawful payment of bills, and every merchant must find money to do it himself: upon which no body that had a foreign bill would take any thing but money for payment thereof; and daily experience declares these men were mistaken, for most merchants have ever since, and do still continue to find money to pay their foreign bills withal, nobody offering now to pay them with any thing else but specie, by which means great quantities of money have been brought forth, that had not appeared if Bank Notes would have done in the room thereof; and it is thought if they were

not

indeed, was no longer in circulation; and therefore neither bullion nor standard coin could be estimated in that degraded species of currency; but Bank Notes, as at the present moment, were said to represent the pound sterling; the difference in value betwixt them and the metals was ascribed to a rise in the value of gold and silver, from the circumstances of the war,* and even to a supposed diminution in the fertility of the mines.

It was argued, that the only remedy for the evil

---

not offered in payment for any inland bills also, the clothiers and other manufacturers would get their bills in some time (although with difficulty at first) paid in money, which would be sent and distributed among the country people.

It is, therefore, worth the serious consideration of those concerned in the Bank, (of which there are many worthy members,) if they cannot raise money to answer their notes, to endeavour, (if possible,) to find out some other way to make them equal to money, which would give them a currency every where, and make them at this juncture an advantage to trade in general; but if it cannot be brought about, they had better, for a public good, give over giving out any more notes; and those that have them in their custody should keep them, and not offer them in payment any more till the Banks are capable to comply with the payment thereof, or by any other way they are made equal to money.

A short Treatise on the Reason and Causes why our Money and Bullion have been exported.—Printed in the beginning of 1697, p. 14—16.

* But yet there is more to be considered: this denomination, as the price of silver goes in England, and the value of gold now stands, takes from and lessens the real value, and makes it less than the same quantum either of gold or silver does contain: 'twenty

was, that Government should assimilate the value of the coin to the value of the notes in circulation, either, by giving an additional denominative value to what they had recently coined, or by calling it in, and diminishing the weight of what was to enter into the composition of a pound sterling, just in the same manner and on the same principle that tokens have been recently issued by the Bank of England.

Thus Bank Notes being then at twenty per cent. discount, that is, a twenty shilling note being worth sixteen shillings, or fourteen hundred and eighty-six grains, and four hundred and forty-eight thousand parts of a grain of standard silver, it was proposed that the denominative value of the silver which, according to the Mint regulations com-

---

twenty shillings will not purchase sufficient silver to make four crown pieces, nor will twenty-two shillings purchase enough gold to make a guinea. Page 18.

Again:—If either of the metals are compared with the coin of divers countries, they seem to be both advanced; but those that are better acquainted in trade know whether this be true or false; but I think so far will be admitted, that by what can be conjectured by the English uncertain money, the value is here advanced in both, and in France it is plainly so; and it can hardly be denied, but that the advance of them in these two so considerable parts of Europe is a sufficient reason for the rise in all other parts: does not the rise of corn or any other thing in any one county make the same commodity advance in all parts of the kingdom? Page 21.

An Essay for lowering the Gold and raising the Silver Money. Printed 1696.

posed twenty shillings, should in future be twenty-five shillings; or, in other words, that eighteen hundred and fifty-eight grains and sixty thousand parts of a grain of standard silver, which composed the pound sterling, should now be formed into twenty-five shillings; a project which most undoubtedly would have made the paper of the Bank of England resume the appearance of circulating at par; because, fourteen hundred and eighty-six and forty-eight thousand parts of a grain, which the Bank Note, when of value sixteen standard shillings represented, would have been, to a fraction, the quantity of silver contained in twenty of these new shillings.*

In the same spirit, it was proposed that the guinea should be advanced to twenty-eight shil-

---

* For by reason of the price of bullion here and beyond seas, which is now above the value which by this law is put upon the coin, the cure cannot likely thus be made. (The context shews that the word *thus* means by coining money of standard value sufficient for the circulation), for that the advantage of melting down and transporting will certainly postpone, and always hinder the having sufficient of this money to supply the nation.

Which two things being at least doubtful, as is conceived, are not prudent to be at this juncture attempted, but rather that a sure and safe method may be pursued, which is the only other way to effect this cure, and that is to advance four crown-pieces silver from twenty shillings to twenty-five shillings, or some other advance, and either let the gold, as before, find its proportion, or ascertain it by a law, and in this case the proportion is the gold at twenty-eight, or thereabouts.

An Essay for lowering the Gold, and lowering the Silver Money. Printed 1696, page 30.

lings, which in truth was only raising the denomination of the guinea a trifle higher in proportion than the projected rise in the value of the silver coin.

So forcibly was this arrangement recommended at the time, and so doubtful did it appear to the minds of many, whether parliament might not be prevailed upon to adopt a measure so strenuously contended for, that by cotemporary writers the expectation of the denominative value of the coin being raised, is stated as one of the reasons of standard money being withheld from circulation in the autumn of the year 1696.*

The situation of the country was indeed strangely changed; for if in the preceding year it was aggrieved by the high prices of commodities, and with speculations of all sorts, encouraged by the superabundance of circulating medium;† it now

* Another thing that makes money more scarce, is a hope that our money hoarders have gotten; that it will be advanced this Sessions of Parliament: for notwithstanding several persons have desired to borrow money of those that have had quantities by them, at more than 6 per cent. interest, upon security of clipt money, plate and lands, &c. they have refused it, by which it is concluded they expected to have the money advanced. Now as soon as ever this expectation comes to be put an end to, a great deal of money that now lies dead, would come forth into trade again.

A short Treatise on the Reason and Cause why our Money and Bullion have been exported, 1697, page 17.

† In these times, (says Mr. Anderson in his History of Commerce

experienced the more apparent difficulties arising from an unnatural diminution in the price of commodities, and a daily decay of trade occasioned by the almost total want of all means of circulation, whilst it was in vain that new coin was issued from the Mint; for it disappeared from circulation the moment it was paid away.*

---

merce), viz. in the years 1694-5, a number of new projects were set on foot in London, many of which were, in reality, good for nothing, having drawn in numbers of people to their undoing: some of these started up with the Bank of England in the preceding year; others in this year 1695.

He then proceeds to give a list of nineteen different projects to which the times has given rise; amongst which there are various descriptions of banks—lotteries for money and for merchandize;—many metallic and mineral projects;—diving engines of various kinds;—projects for pearl fishing;—for hollow sword blades;—glass bottles;—japanning;—printed hangings;—leather;—Venetian metal;—a project concerning rock-salt, and a salt-petre company;—companies for the manufacture of lute-strings, hats and a-la-modes;—various projects for draining machines and fisheries;—all the particulars of which may be seen in a book printed in the year 1695, entitled "Angliæ Tutamen;" or, The Safety of England; being an account of the banks, lotteries, diving, draining, metallic, salt, linen, and lifting, and sundry other engines, and many other pernicious projects now on foot, tending to the destruction of trade and commerce, and the impoverishing of this realm.

* The following extract from a discourse concerning a lumber-office, p. 3, being a true remedy for the scarcity of money, printed at this time, gives a striking picture of what seems, from a variety of authorities, to have been the situation of the country.

But according to the present method we are in, money is growing scarcer, and trade is decaying daily. Some may, perhaps, impute our calamity to the present abatement of the

Such was the state of things, when on the 20th of October, 1696, parliament was assembled for the express purpose of considering the difficulties that had arisen upon the re-coinage of the money, and of devising expedients to restore credit, without which neither the war nor the commerce of the country could be carried on.*

Fortunately, on this occasion the same wisdom that distinguished the conduct of Mr. Montague, (afterwards Lord Halifax), when, by the advice of Mr. Locke in the preceding year, he rejected Mr. Lowndes's scheme for altering the standard of our money, once more interfered to guard the country against the proposal of raising the denomination of the money that had been coined, for the purpose of bringing it in value to a level with Bank Paper.

---

the numbered money: but there is no reason for that, since we have experienced not long ago that guineas (alone) did much better answer the demands of trade than all our gold and silver does now: or if such abatement before-mentioned were the cause of it, what is the reason that by so vast an addition of new money as has been since coined, we do not find our calamity proportionably redressed? The addition of two millions certainly is sufficient to make a conjecture by; but if instead of relief we find money more scarce and trade more sunk, then the cause of our suffering lies somewhere else, viz. in the loss of our Paper Credit; and unless this be re-established as well as the coin, our difficulties must continue.

* See the King's Speech, Commons Journals, vol. xi. p. 566.

In these times and with our experience, it may appear that there was a want of foresight in parliament, in not suspecting the consequences to public credit, which must in the then state of the paper circulation have resulted from so sudden a transition from an obligation to pay in clipped, to an obligation to pay in standard coin,* but no

* When, in 1797, Government imposed the restriction on cash payments, the general impression, that the credit of the Bank and of the nation required that it should be removed with all possible speed, induced the eminent merchants then intrusted with the direction of the Bank of England, to act on the belief that they should be called upon to resume payments in coin at the meeting of parliament in the month of November following. Accordingly they conducted their concerns in such a manner, as by the 25th of October to feel themselves authorized to declare, "That it is the opinion of this court, that the "Governor and Company of the Bank of England are enabled "to issue specie in any manner that may be deemed necessary "for the accommodation of the public; and the court have no "hesitation to declare, that the affairs of the Bank are in such a "state that it can with safety resume its accustomed functions, "if the political circumstances of the country do not render it "inexpedient."

The public are uninformed with regard to the extent of the discounts with which, in the course of the summer of that year, the Bank accommodated the merchants. But they have been informed by the Directors of the Bank of England, that the cash and bullion in the Bank was, on the 26th October, 1797, more than five times the value of that at which they stood on the 25th of February; and much above what they had been at any time since the beginning of September, 1795. They know also from the account, No. 13, printed in the Report of the House of Lords,

experience can suggest wiser measures, than those pursued in 1696, to restore the credit both of Government and of the Bank; nor can there in any age be exhibited more firmness in enforcing against popular opinion, measures which a very critical situation of affairs rendered absolutely necessary for the salvation of the country.

To do away that temptation to hoarding, originating from the false hopes that had been excited by the reasoning of those who, assuming that gold and silver had augmented in value, argued that the denominative value of our coin should be raised, it was on the very first day of their meeting, declared by the Commons House of Parliament, "That

---

Lords, 1797, that the advances to government were in February £11,718,730; and from the Report of the Committee of Secrecy at the Bank, on which the Resolution of the 26th of October proceeded, we learn that at that time these advances were only £4,258,140.

Thus we see those very intelligent directors, who had the management of the Bank in the year 1797, when they acted under an apprehension of being liable to pay cash in value equal to the denomination of their notes, pursuing a very different line of conduct from that announced by Mr. Godfrey, "of "furnishing all who could give security with money," for in the short space betwixt the months of February and October 1797, they called in advances to government to the amount of £7,460,590, and by that means were enabled greatly to increase their stock of cash and bullion. *See the Report of House of Commons, Nov.* 1797. Appendix, No. 3.

"they would not alter the standard of gold or "silver in fineness, weight, or denomination."* And, if possible, to reinstate, the Tallies in public estimation, or at least to arrest the progress of that fall in their value which had been so rapid, it was at the same time resolved, "That all Parliamentary "Funds, which had been made credit for loans "from the subject, since His Majesty's accession "to the crown, should be made good."†

But the evil was too deeply rooted to be remedied by the declaration of general principles, however sound: for that loss of credit the Bank had suffered, from a sudden reverse of fortune, occasioned by its extended issues and the want of foresight concerning the effects of liability to pay in standard silver, had given rise to a feeling of diffidence and mistrust concerning all pecuniary arrangements.

The Bank, indeed, had made great exertions to sustain its credit, but suspicion founded on hesitation in performing pecuniary engagements is not easily allayed. Suddenly to create confidence was impossible. To put things in a state by which it might be gradually restored

* Commons Journals, vol. xi. p. 567.
† Ibidem.

was all that with any prospect of success could be attempted.

To many who were well informed, to those concerned in the government of the country, and even to the greater part of the Proprietors of the Bank, it seemed doubtful whether for a length of time its lost credit could be restored, and whether it was not expedient to withdraw its whole paper from circulation; whilst to all it appeared necessary, notwithstanding the resolution passed to secure the gradual discharge of Tallies, immediately to reduce the amount of those that were outstanding.

To effect these two objects, an enlargement of the capital of the Bank, was recommended by the Committee appointed to take into consideration that part of His Majesty's speech that related to public credit: four-fifths of this subscription to be paid in Tallies, and one-fifth in Bank Notes.*

The amount of the additional capital seems neither to have been limited by the Resolutions of the House of Commons, nor by the Act of Parliament, founded on them for engrafting on the Bank, and there are strong grounds to imagine that it was intended to withdraw all the Bank Notes then in circulation. For in a Report of the arguments used at a meeting of Proprietors of Bank Stock, to take the measure under

consideration, it is said to have been supported on the following grounds.

"First, That all their Bills and Notes will be "brought in with the Tallies, and so at once help "them out of debt.

"Secondly, As a natural consequence of the "former, their Bills and Notes will then be at par, "or equal to money, for the payment of debts or "Bills of Exchange.

"Thirdly, That being once out of debt, and "their Bills or Notes equal with money, they may "begin to establish a new and lasting credit.

"Fourthly, That the Bank cannot otherwise "recover their credit in many years; and that till "their Bills or Notes go current again, at par with "money, the present proprietors cannot expect "any dividend either of profit or interest."

In the course of the discussion at this meeting, even those who were most violent in opposition to the proposed measure, seem to have entertained the same view of the expediency of withdrawing the whole notes from circulation; for far from controverting this position, they argued that the addition to the capital was unnecessary, as the Bank could pay all its debts, and of course withdraw its notes within a short time, independent of the supply it might derive from the new subscription.

It is to be observed, too, that the plan then for the first time adopted by parliament, of authorizing government to issue Exchequer Bills, receivable in payment of taxes, for sums of five, ten, fifteen, twenty pounds, or upwards, seems to have been devised to supply the place of the Bank Notes, which it was supposed would for a time be entirely withdrawn, by means of the projected enlargement of capital.*

The measure, therefore, of engrafting on the Bank, certainly in a degree failed of attaining the end it was immediately expected to produce, for only one million was subscribed, and of course only eight hundred thousand pounds in Tallies, and two hundred thousand in notes were paid into the Bank.

But the seeds of all the various evils by which the circulation of the country had been deranged, were now destroyed. The recent declaration of parliament, which did away all expectation that the denominative value of the coin would be raised, or that the real value of the coin, the denomination remaining the same, would be diminished, brought the new money and the heavy coin into circulation, for there could be no prospect of deriving profit from hoarding them. Tallies were no longer left to circulate without any certain means of discharging them, as funds were appropriated for paying them off within a given time, and the issues

* See Cap. 31st, Sect. 76-7, of the 7th William III.

of the Bank of England were subjected to that prudent limitation, which liability to pay in coin, in real value equal to the denomination of the note, must always create. Time, therefore, was only requisite to do away the distrust produced by the derangement in our circulation, and to create that salutary degree of credit which must always exist where the pecuniary concerns of a country are conducted on sound principles.

Accordingly, it is not Dr. Drake alone, in his History of Opposition, who informs us, that a gradual and progressive restoration of credit took place; for the following account of the effect of the measures that were adopted, extracted from Chandler's Debates, and perfectly agreeing with that of Dr. Drake, has been given, almost in the same words, by every author who has detailed the measures pursued on this occasion.*

"By this means the face of affairs was quickly "much changed for the better; credit begun to "revive, and money to circulate on moderate "terms; foreign affairs were less to our disadvan- "tage, and soon after came to an equality; and "whatever hardships the people had undergone,

* Mr. Rose, in the speech he has published, seems to treat Dr. Drake's authority with great disrespect. But the account given in The Short History of the last Parliament, is adopted by most succeeding writers, who have even retained the words in which that account is conveyed.

"by reason of a long and expensive war, and the "receiving the silver money, which could not but "occasion many complaints, yet the greatest "part attributed this to the necessity of affairs, "and began to hope, both from the prospect of a "peace, and the wisdom of those at the Helm, "that they should enjoy more favourable times."

In retracing this important period of our economical history, it certainly appears impossible, even in a cursory manner, to remark the effects alternately produced, in diminishing the value of Government and Corporation Paper, by an extension of its amount, and the restoration of value effected in either case by the diminution of it, without its suggesting that an over-issue of paper is the probable cause of the evils under which our currency at present suffers.

But when on examination we discover, that in the year 1695, and in the beginning of the year 1696, the exchange became unfavourable;—That bullion rose in value,—That the interest of money fell,—That public securities sold to great advantage,—That the price of all commodities suddenly increased,—and that commercial enterprises of all sorts were extended,—whilst the country was inundated with projects and projectors:* it is im-

* In the course of the reasoning that has been submitted on the economical occurrences of the years 1695 and 1696, no notice

possible to reflect,—On the present price of bullion, and state of exchange,—On the value of Ex-

---

notice has been taken of the remarks made on this period of our history, in the speech published by Mr. Vansittart:—Because, though there is in this speech an affectation of peculiar precision and research, the statements it contains are so inaccurate, and exhibit such total want of information, that it would have been idle to interrupt the discussion, by commenting upon such a series of errors.

In page 127 of this pamphlet, the following passage from Dr. Davenant's works, which has been already cited in note, p. 116, is quoted and relied upon;—"*And of late when the coin "grew so corrupted, the gold and silver did, as it were, but minister "in the market, while* all great dealings were transacted by Tal- "lies, Bank Bills, and Goldsmith's Notes. Paper Credit did "not only supply the place of running cash, but greatly multi- "plied the kingdom's stock. For Tallies and Bank Bills did "to many uses serve as well, and to some better than Gold and "Silver; and this artificial wealth, which necessity had intro- "duced, did make us less feel the want of that real treasure the "war and our losses at sea had drawn out of the nation."—But the author has taken the liberty to alter the original, by substituting, at the commencement, the words 'during the recoinage 'of our silver,' instead of those used by Dr. Davenant, which are here printed in Italics.

Now, as it is impossible to suppose that this alteration could be made by a person so truly deserving of respect, for the purpose of deceiving the public, it follows, that the author of this speech must have conceived that Dr. Davenant meant to express what is very clearly conveyed by the words "during the recoinage of "our silver," which he has substituted.

That the recoinage of the silver was not terminated in the year 1696, is a circumstance of which he must have been aware, because he states, (page 119) that only two millions four hundred

chequer Bills,—On the low interest at which money has been obtained in loan,—On the price of com-

dred thousand pounds had been delivered on the 20th of November, 1696. It is evident, therefore, that instead of collecting from this passage what Davenant certainly meant to express, that all transactions were conducted by paper before the 4th of May, 1696, when the clipped money ceased to circulate. The author of this speech is so completely deficient of information as to suppose Dr. Davenant to have stated, that all great transactions were carried on by Tallies, Bank Notes, and by Goldsmith's Notes, in the autumn and latter end of the year 1696, at a time when these Tallies were not saleable, being at a discount of fifty per cent. when Goldsmith's Notes hardly could obtain credit; and when Bank Notes, circulating in a state of discredit at twenty per cent. discount, were reduced in amount to seven hundred and sixty-four thousand pounds, a fact which he might have learnt in the course of his examination of the Journals, where he might also have seen, that *during the recoinage* in December 1696, the whole accommodation given to merchants, by way of discount at the Bank, amounted to sixteen thousand pounds. *(See Extract from the Journals, Appendix, No. 2.)*

With regard to the passages so much relied upon, which are said to be quoted from a manuscript memorial of Dr. Davenant's, and a manuscript report of Lord Ranelagh's, supposing the citations to be accurate, of which there is certainly room for doubt, after the very inaccurate manner in which the quotation from Dr. Davenant's printed works has been given, they really cannot be considered as in the smallest degree countenancing the doctrines of this speech.

That Lord Ranelagh's report must have related to a transaction that took place before the month of May, 1696, is apparent to all who recollect, that the pay-master could not legally have paid into the Bank any thing but new, or heavy money, after that date, or who know that the Directors withdrew at that time as much

modities,—On the augmentation of our exports,— and on the tribe of commercial adventurers daily

---

much as possible from all transactions with government, as is evident from the extreme difficulty with which they were prevailed upon to advance the much censured loan of two hundred thousand pounds, in August 1696.

Assuming, therefore, that it was a transaction that took place before the 4th of May, 1696, the charge for Exchange is what must have been expected, whilst the thirteen per cent. for base money must have been an allowance not for clipped money, which never was at a discount of more than half a per cent. in relation to Bank Notes; but for counterfeit money, such as the law did not permit to pass in tale, of which there was then abundance in circulation.

On Davenant's memorial it is to be observed, that as it purports to have been given into the treasury in the month of July, 1696, when the new money had hardly began to circulate, and almost at the time a dispute existed whether foreign bills might be paid in Bank Notes (then at a great discount), it is no proof that the exchange remained unfavourable till the restoration of peace. If the author of this speech had really made the careful research into the writings of that day, for which he seems anxious the public should give him credit, he must have discovered, that the exchange became favourable to this country at a much earlier period. Indeed, in a pamphlet, entitled A short Treatise of the Reasons and Causes why our Money and Bullion have been exported; at the end of which is affixed the date, 17th of October, 1696, it is said, page 19, "For although many people have been "uneasy because the coin was regulated at this juncture, yet "when our difficulties are over, not only us, but the next genera-"tion, will have the benefit thereof; and if it had not been done "(in all likelihood) it would have centered in the ruin of the "nation. And the keeping our money to the standard, will "prove otherwise than many, through ignorance, have imagined,

for

vanishing in bankruptcy, as circumstances inform the prying eye of those who accommodate them

---

" for we see already, that it is loss at this time to carry out of " the land either guineas or milled money, by reason the ex- " change is risen so high, that it is above a par in silver, and " much more in gold, by which means it is profit to bring over " from Holland either of them. And the reason why it is more " advantage to bring guineas than silver is, because the silver " contained in 22 shillings of milled money is worth more in va- " lue, and will yield more beyond sea, than the gold contained " in a guinea."

The length of this note certainly requires an apology, but it is impossible to abstain from shortly assigning the reasons why the opinion delivered in so peremptory a manner, in this speech, page 123, on the causes of the unfavourable exchange in King William's time, appears unfounded. It is there said, that this unfavourable exchange was not occasioned by the depreciation of money (meaning the clipping of the coin), as the author of this speech supposes the Bullion Committee to have stated, but that it arose from the military expences abroad.

In the first place, this does not appear to follow as a necessary consequence from the facts which are relied upon, either as stated by Davenant or by Gregory King. In the second place, the author of this tract must not only differ from Mr. Vansittart, in the opinion he has stated, but he has the misfortune not even to agree with the supposed opinion of the Bullion Committee: for he believes that the exchange never was highly unfavourable till the spring of the year 1695, when the issues of the Bank became so extensive; and in support of this opinion, he relies on the numerous passages he has already quoted, to which he must add the following direct testimony of cotemporary writers.

First, in a pamphlet entitled, A Preservative of our Money, or a Way proposed whereby some Money may be kept in England which otherwise will all be gone, by E. L. (Edward Lewis,) printed

with capital, that it is prudent to cut the thread; without imputing the calamity under which we suffer to an over-issue of paper:—and this conclusion becomes indeed irresistible, when we are informed that the paper circulation of this country, where refinement in the art of economizing circulating medium is brought to the greatest state of perfection, has within these two years received an augmentation of more than twelve millions.*

To add any thing to these details, for the purpose of proving the depreciation of the paper now

---

printed 1696, it is said, page 13, "As for our clipt money, that "had no effect upon the Exchange, till guineas did rise, which "was less than a year since."

Secondly, Mr. Thomas Haughton, of Lyme-Street, in his Treatise on the Alteration of the Coin, with a feasible method to do it, distinctly states, page 41, that the rise in the value of guineas took place after the 1st of May, 1695.

Thirdly, by those who know that the rise in the price of commodities, and the increase of an unfavourable rate of exchange, must, under circumstances such as took place in King William's time, have been co-existent, the following passage from R. Ford's Further Attempt towards the Reformation of the Coin, printed 1696, page 10, must be deemed to corroborate the testimony of Mr. Lewis.

"For if we examine the prices current of all commodities, "it will be found they are not advanced near 50 per cent. one "with another, and so much as they are risen, is not only on ac- "count of the badness of our coin, but is in great measure occa- "sioned by the extraordinary demand there is for many of them "both here and beyond sea."

* See note, page 39.

in circulation, must indeed appear superfluous; for it is hardly possible to believe, that all connection betwixt an increase of paper money, and the evils under which we suffer, can be denied by those who are informed, that our circulation has lately been so much increased, and that it is certain the same circumstances in every respect took place when the Bank of England, in 1695, chose to increase its issues, by acting on the principle of accommodating all who could find security, whilst it is equally certain, that things at that time returned into their natural state the moment they were obliged to diminish their issues.

But the plan which throughout this reasoning has been pursued, does not limit itself to a mere statement of what seems sufficient to convince any rational man; it aims at rendering it impossible either for ingenuity to perplex the subject, or for folly to confound all rational distinctions in relation to it, in such a manner as to produce even a moment's hesitation concerning the present state of our currency.

It is further necessary, therefore, in endeavouring to accomplish this object, shortly to examine whether independent of, and abstracted from every thing that has been hitherto urged, the present depreciation of our paper may not be established in a manner that hardly admits of dispute.

In all cases where the causes or the consequences of the events of the day form a subject of controversy, the experience we derive from contemplating past scenes of a similar nature is so justly and so generally regarded to be the best guide to accuracy of decision, that when a question is argued without such an appeal, it affords a presumption either that the case is unprecedented, or the argument untenable.

Accordingly, we find, that anticipating the prejudice this feeling seems likely to create, those who have argued that our paper currency is not depreciated, have been anxious to consider the case as unprecedented, maintaining that no paper currency was ever thrown into circulation under similar circumstances.

Whilst, however, it seems impossible to make any distinction between two species of paper, both originally circulating at par, and neither of which, from circumstances, are payable on demand, except what arises from a comparison of the difference they respectively exhibit betwixt the value of the note and of the cash it promises to pay:—It is impossible not to recollect, that there is hardly a country in Europe where there has not existed a paper currency under similar circumstances;—yet in no publication has a doubt ever been expressed, that the difference betwixt the value of all such foreign paper and the gold it promised to pay,

formed the measure of the depreciation of the paper: nor did there ever exist a single transaction on the part of any British merchant with a foreign country, where paper differed in value from the coin it promised to pay, that was not conducted on the faith that such was the case.

Thus the logic by which it is attempted to prove, that the difference betwixt the value of coin and the paper of the Bank of England, arises from an augmentation of the value of gold and silver, establishes this singular proposition,—That in Great Britain the difference in value betwixt paper, the payment of which on demand is suspended, and coin, proves the extent to which the value of gold and silver has increased, whilst, universally throughout the rest of the world, the difference betwixt paper under similar circumstances, and coin, forms the measure of the amount in which the paper is depreciated.

The excessive bigotry in favour of every thing English, which is supposed to distinguish some of our young and inexperienced countrymen on first going abroad, is a common subject of ridicule on the theatres of foreign countries. But even the Englishman, who at Paris is represented as knocking down a Frenchman, because he was such a fool as not to understand English, affords but a tame instance of this species of extravagance, when compared to the deliberate opinions of those statesmen,

who uniformly admit, that abroad the difference betwixt paper and coin forms the measure of the depreciation of paper, and yet knowing that we have at work eight hundred and eighteen paper mints,* all engaged in fabricating paper not payable in cash on demand, gravely pronounce the difference that ensues betwixt coin and the value of this paper to be a measure of the extent to which the metals have risen in value!!

The ridiculous consequences to which such opinions must lead, are infinite, but it is none of the least remarkable, that those who hold them must be forced to abandon the opinion that has hitherto been uniformly maintained, and acted upon by all mercantile men, that the difference betwixt coin and foreign paper marks the extent of the depreciation of the paper.

Yet this inference cannot be disputed—For supposing the paper of the Bank of Vienna to differ in value fifty per cent. from the coin it engages to pay, the practical merchant of this country, who knows that there is a difference betwixt coin and the notes of the Bank of England, to the extent of twenty per cent, which he ascribes to a rise in the value of coin, must be under the necessity of abandoning the opinion that the difference betwixt the

* See note, page 38.

paper of the Bank of Vienna and coin, is the measure of the depreciation of the paper, for consistency requires he should hold, that thirty of the fifty per cent. is the measure of the depreciation of Vienna paper, and that the remaining twenty is the measure of the increase of the value of gold.

This strange notion concerning the state of the paper at Vienna, would certainly appear very unintelligible to any merchant in Germany, who, unaccustomed to the metaphysical refinement of the practical men of this country, has always considered the difference betwixt coin and paper as the measure of the depreciation of paper. And it would be a task of no small difficulty for any of our ingenious practical advocates in favour of the modern system of circulation, in a satisfactory manner to explain it. They might, indeed, resort to the means they have already had recourse to in this country, and argue that the pound note, from its denomination, retains that value which it possessed before the rise of gold. But unfortunately, this would oblige them to give some reason, why the English language possessed a power of conferring value by an expression of denomination which was denied to the German.

Nay, more, if there ensued any controversy in the course of this explanation, they would find themselves under the necessity of assigning reasons why the English language possessed this singular

attribute, when used in the mother country, of which it was at once divested, when used in the colonies.

For they might truly be told, that the preambles of the acts of the 24th of George II. and of the 4th of George III.* furnished evidence that the denomination given to the paper money in America before the revolution had not that effect. And that since that event, when Congress were forced to attempt to convey by language a defined notion of the value of the paper they meant to constitute a legal tender, even with the aid of the English language, they could fall on no means of doing it, but by declaring, "that every paper dollar should be "taken and esteemed at the rate or value of seven "shillings and sixpence, and of equal value in "the payment of debts with a Spanish milled silver "dollar, weighing *seventeen pennyweights and six "grains.*"†

Paper currency is the subject of all others most apt to be involved in mystery; for there are many who in treating of it affect obscurity, to veil over their ignorance of what they profess to understand; whilst there are not a few, who knowing that they

---

* See note, page 101, containing Extracts from the Preambles of these Acts.

† See clause 2d of the Act, Appendix, No. 1, making American Bills of Credit a legal tender.

profit by its increase, and who feeling therefore an interest hostile to all examination and inquiry, endeavour to overwhelm all rational explanation by mysterious and unintelligible panegyric, lest it should derogate from the merits of a system from which they derive such benefit.

But if the select committee of the House of Commons had in their report gone more fully into the discussion of the manner in which an excess of paper produces the ruinous effects they have attributed to the recent increased issue of Bank Notes; it is hardly possible that Parliament should have been so blind to the real situation of our currency as to have sanctioned the measures brought forward at the end of the last Session.

For there is no means of throwing so much light on the question, whether the difference betwixt the value of paper and the coin it represents is occasioned by an augmentation of the value of gold, or by a depreciation of that of paper, as what naturally arises out of a clear and accurate understanding of the circumstances that regulate the order, in point of time, and the manner in which a superabundance of paper must produce a rise in the price of goods, and create that difference of value betwixt coin and paper, the causes of which are disputed.

In explaining the means by which an over-issue

of paper produces the effects that have been ascribed to it, it is a fortunate circumstance, that notwithstanding the eagerness with which this controversy has been conducted, there exists no dispute, either in respect of the fact that a rise in the value of commodities has taken place, and that a great difference exists betwixt the value of gold and of paper; or concerning the order in point of time, in which these occurrences have become apparent; for all have agreed in the opinion so distinctly expressed by Mr. Rose, that in commodities, the rise in value since the restriction has been annually progressive; whilst the difference betwixt gold and paper was not very considerable till the end of the year 1808 and the beginning of the year 1809, when it suddenly became formidable.*

Now, however singular it may appear to the Vice-President of the Board of Trade, it is certain that this statement of facts, in which he agrees with all his co-adjutors in the controversy, is alone sufficient to authorize the inference, that the paper currency of this country is at present depreciated.

In the first place, if it is true that gold and paper

* See Report of the Secret Committee of the House of Commons, page 1. See also Mr. Rose's Speech, page 4, in which he says, "that commodities have risen rapidly is beyond dis-" pute;" and (page 29) where he states, "that since the Bank "restriction we find the prices of other commodities advancing "yearly, while in gold there was no considerable rise till the "year 1809."

remained nearly equivalent till the year 1809; and that betwixt the years 1797, when the restriction was imposed, and the year 1809, there was a progressive rise in the price of commodities, it is scarcely necessary to explain to a person, who in the very same page in which he has given this statement of facts, quotes and relies upon Sir George Shuckburgh's tables, that he must admit that betwixt 1797 and 1809, the value of our currency—that is, both of Bank Notes and of the coin that circulated with them—must have suffered a depreciation.

But if, at the end of this period, it is also true that coin rose rapidly in value, and that a great difference of value betwixt coin and Bank Paper became apparent, can there be two opinions on the necessary inference? Must not all agree in thinking, that though coin, in consequence of this rise, may have resumed its former value, yet Bank Notes which did not partake of this augmentation of value, must have remained in the state of depreciation, in which this statesman, by his facts and his reasoning, has proved them to have existed; and this observation is equally applicable to the reasoning of all the other advocates for our present system of circulation; for whilst they admit the statement with regard to the order of time in which the rise in the price of goods took place, and in which the difference betwixt Gold and Bank Notes became, comparatively speaking, apparent; there are none of them

who have openly controverted the principle upon which the tables in the Philosophical Transactions proceed.

In the next place it is to be observed, that all who have maintained that the difference in value betwixt gold and paper arises from an increase in the value of gold, have completely overlooked the circumstance of the date, at which they admit this difference to have become apparent, for there exists not in the works of any of the numerous orators and authors who have asserted this position, a single sentence devoted to an explanation why coin or gold should have suddenly advanced in value in 1809.

The war in Europe, which, (as in King William's time,) is regarded by many as the cause of the rise in the value of the metals, cannot account for its becoming apparent in the year 1809; for it is impossible, that if war could have produced such an effect, that it should not have been perceived at a much earlier period. Neither was it then, to use the language of the year 1696, that "the over-"grown greatness of the French monarch, that "aspiring prince, who had put a yoke on the neck "of Europe,"* first displayed itself; for we had unfortunately long experienced every species of evil that his talents and ambition were capable of inflicting.

* See note, page 122.

The state of our commerce, in consequence of our orders in council co-operating with the decrees of Berlin and of Milan, is equally incapable of accounting for this rise in the value of gold; as it is impossible that the effects of these measures should have suddenly displayed themselves in 1809.

It may, therefore, be fairly stated, not only that no satisfactory cause has hitherto been assigned to account for the supposed rise in the value of the metals, but that no attempt whatever has been made to assign any cause why such a rise should have happened at the period in which it is said to have taken place.

But if we ascribe the difference betwixt the value of paper and of coin to a depreciation of paper arising from super-abundance, there is no man who really understands the manner in which an over-issue of paper operates, that can have the smallest difficulty in accounting for the order in which the rise in the price of goods, and the difference betwixt paper and gold has taken place.

Though the quantity of gold in the coffers of the Bank was considerably reduced at the time the restriction was imposed, the portion usually employed in circulation throughout the country must have been nearly unimpaired; and it is known that the restriction itself produced no

immediate diminution of our coin; for, from the report of the Directors of the Bank, October 1797, we learn, that within a very few months it must have been very greatly increased.*

At that time, and for many years afterwards, coin circulated promiscuously with Bank Notes, and though circumstances of preference existed, sufficient to account for its being gradually withdrawn; —still in the general estimation of the people of this country—Coin and Bank Paper must have been considered as of equal value; for two sorts of money of similar denomination, and in general estimation unequal in value, never can circulate together.

It does not, however, follow, that this equivalency was produced by Bank Notes retaining their value, notwithstanding the increased amount thrown into circulation; on the contrary, the admitted rise in the price of goods, whilst it proves the depreciation of our circulating medium, makes it evident that both the notes and the gold that remained in circulation, along with them, had suffered a progressive diminution of value in relation to commodities.

On all general principles, it is indeed evident, that a gradually increasing issue of paper, under the circumstances in which the country was placed by the restriction, must, for a length of time, have produced a progressive rise in the price of commo-

* See Appendix, No. 3.

dities, and no proportional rise in the price of gold; whilst it seems equally certain, that in the progress of the evil, if it was really occasioned by an over-issue of paper, both gold and silver must naturally have sustained that sudden rise in value of which no account can be given on any other supposition.

That an increase of paper, even when coin is circulating along with paper, must produce a rise in the price of commodities, is a proposition which can hardly be disputed.—"In 1796, I recollect, "(says Mr. Thornton) to have heard a West-India "merchant who had failed to obtain from the Bank "the whole of his usual and expected accommo- "dation, declare his intention of proceeding in con- "sequence to sell some of his sugar at a rate some- "what reduced; half an hour after which, I heard "a sugar baker, who had experienced the same "disappointment, express his indisposition to "purchase sugars."*

But if a diminution of the notes in circulation produced a desire on the part of the sellers to increase the quantity exposed to sale, while in purchasers it diminished the desire of acquiring; the value of the commodity must have decreased;—and on the same principle it follows, that an increased supply of notes, enabling the planter to withhold,

* Mr. Thornton's Speech, page 4.

and creating a desire in the sugar baker to acquire, could not fail to raise the price of that commodity.

Mr. Thornton's evidence, indeed, only states a single case, in relation to the price of sugars; but this case sufficiently explains the principle upon which an extra-issue of paper operates, and makes it impossible not to perceive that the great enlargement of accommodation, which an extended circulation of paper affords to the mercantile adventurers, by enabling some to withhold from the market the commodities on hand, and creating a desire in others to use the credit they can with such ease obtain, for the purpose of purchasing on speculation, must have universally the effect of raising the value of commodities.

It is true these extended speculations, and this advance in the price of commodities, could not endure, if it was not sustained by an increase of consumption and consequent augmentation of demand, for the various articles in which merchants are induced to speculate.

But this is also a natural effect of a derangement, produced in the economical state of a country by a superabundance of circulating medium.

An increased demand for our manufactures, by raising the wages of manufacturing labour, increases the expenditure of the manufacturer,

whilst the extra expenditure of those who estimate their revenue by calculations of the ideal profits likely to arise from that extended commerce, in which enlarged credits have enabled them to embark, as well as the facilities which men acquire by the extension of credit, of encroaching on their capital, alike contribute, by increase of demand, to advance the price of all commodities, and to give for a time the appearance of real prosperity to a state of things pregnant with calamity.

Unless, therefore, the principle, that the price of all commodities is regulated by the quantity of them and the demand for them, is erroneous, it is impossible that a gradual extension of paper should not produce an increase of the price of commodities. But guineas must partake of the value of the paper along with which they circulate; for the reasoning of the Committee of the House of Commons, in their Report, is sound, which leads them to assert, that an excess of any part of the currency of a country must depreciate the whole. Neither is it necessary for the Committee in maintaining this principle, as the author of the Defence of Abstract Currrencies has in his Introduction triumphantly stated, to pre-suppose some relative discredit* before they can explain the cause of the rise in the value of gold.

---

* See Mr. Gloster Wilson's Treatise on Abstract Currencies, Introduction, page 12.

For though guineas, whilst they remain in circulation at home, must partake of the depreciated value of the notes with which they are interchangeable, that is no reason why they should not retain their undiminished value abroad, where the cause of the alteration does not exist; and though the laws of this country, under such circumstances, may delay, they can never prevent their gradual exportation; for even the forfeiture of life, as enacted by the laws of Spain and Portugal, could not retain within the Peninsula the coin imported from America.

It is clear, therefore, that whilst the price of commodities must gradually increase in proportion as paper is augmented, so the encouragement to the exportation of gold must be precisely in the same ratio; for as gold, in the shape of coin, sinks in value with the note at home, the premium on its exportation, consisting of the difference betwixt its value in relation to commodities in this country, and its value in relation to commodities abroad, must augment in the same proportion that our goods appear to rise.*

* The trifling premium which in any country will command the importation of foreign coin, or banish it from circulation, is powerfully illustrated by the following extract from Sir Isaac Newton's Representation relating to the coin of England in 1717:

"Some years ago the Portugal moidores were received in the "West of England at 28s. a piece: upon notice from the Mint "that

It is also material to observe, that though during the progress of this augmentation of the price of commodities, and whilst our gold coin is gradually disappearing, the value of gold may increase; yet that increase, so long as gold coin remains at all interchangeable with paper, must be regulated on different principles from those which determine either the price of our commodities, or the premium on the exportation of our coin; for whilst things are in that state, it is evident that the increase must be

---

" that they were worth only about 27*s.* 7*d.* the Lords Commis-
" sioners of the Treasury ordered their receivers of taxes to take
" them at no more than 27*s.* 6*d.* Afterwards many gentlemen
" in the West sent up to the Treasury a petition, that the re-
" ceivers might take them again at 28*s.* and promised to get
" returns for this money at this rate, alledging, that when they
" went at 28*s.* their country was full of gold, which they wanted
" very much: but the Commissioners of the Treasury consider-
" ing that at 28*s.* the nation would lose 5*d.* a piece, rejected the
" petition."

Thus an advantage of 5*d.* on 28*s.* was sufficient to fill the West of England with foreign gold, whilst the loss of 1*d.* on 28*s.* in consequence of the proclamation of the Mint, seems to have banished it all from circulation.

In the same report we are informed, that in the last year of King William's reign, the Louis d'or of France, worth only 17*s.* ½*d.* a piece, passed in quantities in England, being received for 17*s.* 6*d.* and that a proclamation forbidding them to be taken at more than 17*s.* sent, within a short space of time, upwards of fourteen hundred thousand pounds worth to be melted at the Mint.

Thus, at that time, an advantage of 5½*d.* per Louis d'or, sufficed to bring into England a great quantity of French money: and the benefit of ½*d.* per Louis d'or to be derived from melting it, sent it all to the Mint.

limited to what constitutes a reward for the trouble of collecting, and the danger of melting it.

The moment, however, guineas become so scarce, that even industry cannot procure them in exchange for Bank Notes, this check on the value of gold no longer exists; and in assuming the value in relation to paper, which in conjunction with other commodities it ought naturally to bear, it appears suddenly to sustain that rise of value on which so many observations have been made.

It is impossible that this view of the subject should not in itself appear decisive of the question, whether the difference betwixt coin and paper is occasioned by a rise in the value of coin, or by a depreciation of paper; for whilst those who contend for the former position, can neither give, nor have attempted to give, any reason for such a rise having become suddenly apparent in 1808-9, after commodities had undergone for years a gradual augmentation in value; all these occurrences appear the natural result of a depreciation of paper.

But this is not all; for a very short examination of the nature of the proposition, that coin of gold and silver has risen in value, which we are thus, independent of all argument, ordered to believe, must shew that it is a thing hardly possible; whilst a depreciation of paper, far from being improbable, seems the certain effect of the present state of our currency.

Those who maintain that the metals have risen in value, are, from the very nature of the proposition, under the necessity of considering Bank Notes as a commodity; the value of which being independent of the coin they promise to pay, must be regulated on the principles which determine the value of all other commodities.

It follows, then, that according to them, gold, silver, and Bank Notes, must be considered as three distinct species of commodities, the values of which must be severally regulated, according to the demand for, and the quantities of each. That is, a rise in the value of gold must be occasioned by an increase of demand for, or a diminution of the quantity of gold; a rise in the value of silver, either by an increase of the demand for, or by a diminution of the quantity of that metal; and an alteration in the value of Bank Notes must equally depend upon the same change in the demand for, or in the quantity of that commodity.

To suppose, then, that the difference in value betwixt Bank Notes and coin of gold and silver is the consequence of a rise in the value of coin, is to suppose that the proportion betwixt the demand for, and the quantity of gold; and the proportion betwixt the demand for, and the quantity of silver, have both undergone a change which has fortuitously happened to be such as to make the

two metals, all at once, augment in value, accurately in the same proportion.

On the great improbability of such an incident, it is certainly needless to enlarge; it implies either that the taste of mankind for two different commodities should, at one and the same time, by accident be so altered as to create a corresponding increased desire for each, or that the bounty of nature should all at once have become limited in similar proportions with respect to the quantity of each of these metals: and we are desired to believe that this rise of value has suddenly taken place with respect to two commodities, which for centuries have been uniformly diminishing in value in ratios so different, that though silver was formerly to gold as 10 to 1, it is now become comparatively so abundant as to be in value only in the proportion of rather more than 15 to 1.

But in adopting the hypothesis, that the difference of value betwixt our coin and our Paper Currency arises from the diminution of the value of Bank Notes, no such improbable co-incidence of change in value betwixt two several commodities is assumed;—to account for it, it is only necessary to suppose that there has been a variation, either in the demand for, or in, the quantity of Bank Notes;—and that this last circumstance has actually occurred, cannot easily be disputed, when it is known that since the year 1808, previous to which a sufficiency of paper must have

been thrown into circulation to fill up the blank occasioned by the absence of our coin; an increase to the extent of twelve millions has taken place.

There are many other views of the subject which lead with equal certainty to the conclusion, that the paper currency of this country is depreciated; but it really seems ridiculous to accumulate further proofs; for it is impossible to believe that there exists the man who can doubt whether the difference betwixt coin and paper is occasioned by a rise in the value of the metals, or by a depreciation of Bank Notes, when he knows the state of our currency, and is made acquainted with the manner in which the increase of Bank paper accounts for all that has happened.

Far less can it be believed that a doubt of the real situation of our circulating medium can pervade the mind of any one, who reflects on the high improbability of gold and silver having risen in value—on the still greater improbability of their having sustained that rise in value, in similar proportion, at the commencement of the year 1809—and perceives that this hypothesis cannot possibly explain any of the occurrences that have taken place.

APPENDIX.

No. I.

AN Act for making the Continental Bills of Credit, and the Bills of Credit emitted by Resolves of the late Assemblies, legal tender, and for other purposes therein mentioned.

Whereas, it is highly necessary that the Bills of Credit emitted and made current by the Continental Congress, and the Bills of Credit emitted and made current by the late Assemblies of Pennsylvania, ought to be made legal tender in all payments, and to be alike taken by every person in this state, in the discharge of debts and for the purchasing the necessaries of life, and materials of defence; and it is evidently necessary that the counterfeiting of the said Bills of Credit made current by public authority, should be prevented.

Be it therefore enacted, and it is hereby enacted by the Representatives of the Freemen of the Commonwealth of Pennsylvania, in General Assembly met, and by the authority of the same, That, from and after the sixth day of February next, the Bills of Credit emitted and made current by the Continental Congress, shall pass current in this state, and be received in payments, and discharge of all manner of debts, rents, sum and sums of money whatsoever, due, or hereafter to become due, payable, or accruing upon or by reason of

any mortgage, bond, specialty, bills, note, book account, promise, assumption, or any other contract whatsoever, according to the sum which the said bills respectively entitles the bearer thereof to receive, each dollar therein expressed to be taken and esteemed at the rate or value of seven shillings and sixpence, and of equal value in the payment of such debts with a Spanish milled silver dollar, weighing seventeen pennyweights and six grains, any clause, proviso, or device, in any bond, note, or other instrument of writing, to the contrary whereof in anywise notwithstanding.

And be it further enacted, by the authority aforesaid, That the Bills of Credit emitted and made current by the resolves of the late Assemblies of Pennsylvania, and the Bills of Credit emitted on loan by an Act of Assembly of the 26th of February, 1773, shall in like manner be, and is hereby declared to be a legal tender; and shall be taken and received in payment and discharge of all manner of debts whatsoever as aforesaid, according to the sums specified in said bills; and if any person or persons, from and after the said sixth day of February next shall refuse to receive any of the said Bills of Credit, when properly tendered in payment of any debt or demand whatsoever, provided the whole of such debt or demand be tendered, he, she, or they, so refusing, shall be for ever barred from suing for or recovering the same in any court of this state, and if any suit or suits shall be commenced for such debt or demand, after tender and refusal as aforesaid, the defendant may plead payment, and give this act and the special matter in evidence.

Provided, nevertheless, and be it further enacted by the authority aforesaid, That after any such tender as aforesaid being made, if the creditor to whom such money is tendered, shall within four days next thereafter make demand of the said debt before two creditable witnesses, it shall and may be lawful for such creditor to sue for and recover such debt; but

shall recover no interest on said debt, after such tender or costs on his action.

And be it further enacted, by the authority aforesaid, That where any such tender shall, as aforesaid, be made, in order to pay any debt or demand of money due and payable of any kind whatsoever, and refused, and not demanded within four days after such tender as aforesaid, then, and in such case, the said debt or money due or payable, mentioned in any mortgage, bond, specialty, bill, or note, book account, or any other debt whatsoever, is hereby declared to be forfeited, the one-third part thereof to the debtor, and the other two-third parts to this state: and every such debtor who shall make such tender is hereby directed and required to pay the two-third parts of every debt so forfeited, into the hands of the Treasurer of the County appointed to receive the state tax, (whose receipt shall be a sufficient discharge to such debtor for the monies by this act forfeited) retaining the one-third part in his, her, or their own hands.

And whereas, divers persons in this state, (taking advantage of the necessitous) when they put money on loan, or in other contracts, have bargained with, and bound the borrower or purchaser to pay the debt in sterling money of Great Britain, according as the exchange might be between the cities of Philadelphia and London. And as the intercourse between the said cities is now so far obstructed that no such exchange can be ascertained, and except some rule is settled by law, the debtor cannot pay his debt, though he be so disposed and has in his possession Bills of Credit for that purpose, for remedy whereof, Be it enacted, that where any person stands bound to pay any debt in sterling money aforesaid, according to the exchange as aforesaid, such creditor shall receive Continental Bills of Credit, or Bills of Credit of this state, in payment and discharge of any such debt, at the rate

of one hundred and fifty five pounds Pennsylvania currency for one hundred pounds sterling, if tendered as aforesaid, and on refusal thereof shall be deemed and taken to be within the meaning of this act, in cases of refusal of the Bills of Credit in tender as aforesaid.

And whereas, bonds or other writings may have been given for money to be paid in Half Johannes weighing nine pennyweights, or as much in Bills of Credit as will purchase the same—It is hereby declared and enacted, That eight Continental Dollars in Bills of Credit aforesaid, or three pounds in Bills of Credit of this state afore-mentioned, or of any of the Bills of Credit of Pennsylvania, shall be deemed and taken to be worth one Gold Portugal Half Johannes, weighing as aforesaid, and in the same proportion for all other gold coin. And all persons whomsoever, refusing to take and receive such Bills of Credit in payment and discharge of such debt, and redemption of such bond, or other writing as aforesaid, shall be deemed and taken to be within the meaning of this Act, and shall forfeit such debt, and be in all things dealt with as in this act is directed in cases of refusal on tender.

And be it further enacted, by the authority aforesaid, That every such debtor who shall make tender of any debt or demand as aforesaid, which shall be refused and not again demanded as aforesaid, is hereby directed and required, under the penalty of two shillings out of the pound of such debt, within the space of six days to inform one or more of the Commissioners of the County for the time being, elected or appointed to levy the public taxes, of the sum so tendered, and to whom, and the time when, and the names of the witnesses present at such tender; and the Commissioners of every County shall keep fair books of entries of all such sums of money forfeited by this act, and lay the same before the Committees of Assembly, appointed to settle the public ac-

counts for the time being, and in case any debtor neglect to give such information, then any other person who gives the first information shall be entitled to the aforesaid two shillings in the pound, and three-pence per mile travelling charges for his trouble.

And be it further enacted, by the authority aforesaid, That the Commissioners for the time being, of every county of this state, are hereby authorized and required to ask, demand, sue for, and recover, two-third parts of every debt or sum of money, so as aforesaid tendered and refused, and not afterwards demanded as aforesaid, which action or actions, suit or suits, shall be brought or commenced and prosecuted by the said Commissioners, by name and style of the Commissioners of said County, and the process shall be the same, and as effectual in law, as if such mortgage, bond, specialty, or note, was given to such Commissioners bona fide for a valuable consideration, or as if such other debt was contracted with said Commissioner or Commissioners; and after receiving the same, some one of them shall enter satisfaction in the records of such mortgage, as is required by an Act of General Assembly of Pennsylvania in cases of discharging mortgages.

And if any person or persons, having so as aforesaid tendered any money in payment of any debt, and the same being refused and sued for, and recovered by the commissioners, or paid without any suit commenced, it shall and may be lawful for every such debtor to ask for, and demand, his, her, or their mortgage, bond, specialty, bill, or note, or a discharge of his, her, or their debt, if it shall be of any other kind or denomination; every such demand being made before two creditable witnesses, and such creditor refusing or neglecting to deliver up to such debtor such writing, or give such discharge as

aforesaid, it shall and may be lawful for every such debtor to sue for and recover, of and from such creditor, his or her heirs, executors, or administrators, a sum of money equal to the sum for which such mortgage, bond, specialty, bill, or note, was given, together with interest and costs of suit.

And be it further enacted by the authority aforesaid, That in every case where any title deed or deeds, have been, or shall be, lodged or deposited in the hands of any person or persons to whom any mortgage has been or may be made, and the money mentioned herein forfeited, as by this act declared, and such mortgager, his or her heirs, executors, or administrators, or the owners of the lands and tenements mentioned in such deeds, shall demand the same and be refused, it shall and may be lawful for such mortgager, his or her heirs, executors, or administrators, or such owner of the lands, to sue for and recover of such mortgagee, his or her heirs, executors, or administrators, or assigns, a sum of money not exceeding double the value of the lands and tenements mentioned in such deeds; and if any such person or persons as aforesaid, being sued, shall, at any time before the determination of such suit, deliver up to the plaintiff, or lodge such deed or deeds, whole and undefaced, in the Prothonotary's Office of the court wherein such action shall be, and pay the costs of suit, and a sum as the court shall order, not exceeding twenty pounds, to the prosecutor for his trouble, in that case such action shall cease.

And in all cases where tender shall be made as aforesaid, and the person to whom such tender may be made, shall afterwards assign, transfer, or set over, any mortgage, bond, specialty, bill, or note, every such person shall be, and is hereby declared to be, guilty of fraud, and forfeit and pay to the person to whom such assignment as aforesaid may be made, or

to his or her heirs, exeeutors, or administrators, a sum equal to double the sum mentioned in such mortgage, bond, speciality, bill, or note, so assigned or transferred, to be recovered by an action of debt in any court of record in this state.

And be it further enacted by the authority aforesaid, that if any person whatsoever shall, after the sixth day of February next aforesaid, refuse to take and receive any of the bills of credit aforesaid, in payment for any live stock, necessary of life, commodity, manufacture, article, or goods whatsoever, which he or she shall sell, or expose to sale, and offer the same for a less price, or smaller sum of money, to be paid in gold or silver, or in any one sort of the Bills of Credit, or other current money passing in payment of debts in this state, than in the Bills of Credit emitted by the Continental Congress, or in Bills of Credit emitted by resolves of assembly aforesaid, every such person shall forfeit to the use of the state a sum of money equal to, or as much as, the sum he or she had refused to take for the commodity so sold, or that he or she had asked for or rated such stock, necessary of life, commodity, manufacture, article, or goods at; and on proof thereof being made by two creditable witnesses before any one of the justices of the peace of the county, such justice shall (if such sum of money as aforesaid forfeited shall not exceed Five Pounds,) issue his precept in the name of the state in the nature of a summons, or capias, as the case may be, and prosecute and recover the sum so proved to be forfeited, in the manner prescribed and directed by the laws for recovery of debts not exceeding five pounds, together with costs of suit.—And if any such forfeiture as aforesaid shall exceed five pounds, the justice before whom any such proof shall be made, shall, within six weeks, send an account in writing to the Commissioners of the county, or one of them, containing the names

of the witnesses proving the same, and the person who, and the sum that he or she has so forfeited. And the said Commissioners are hereby enjoined and required, as soon as may be, to sue for and recover such sum or sums of money in the same manner, and when so recovered, pay the same to the same persons as is in this act directed in cases of refusal on tender. And when any justice shall recover any money, so as aforesaid forfeited, he shall pay the same to the treasurer aforesaid, who shall give his receipt for the same. And every justice of the peace in this state shall, once in each year, send an account to the said Commissioners, of the sum or sums of money he shall have recovered, so as aforesaid forfeited, which the Commissioners shall make fair entries of, and report the same to the Committee of Assembly aforesaid, for the time being. And the fees or allowance to the said Commissioners, for the services and duties by this act required, shall be the same as they have a right by law to take and receive in other cases. And if any of the said Commissioners shall refuse or neglect to do and perform his or their duty, by this act directed and required, such Commissioners respectively shall be fined in a sum of money, not exceeding ten pounds, by the next Court of Quarter Sessions, and another or others appointed in his or their stead by the said court. Every such fine to be for the use of the state, and be recovered as fines are directed to be recovered by the act for raising county rates and levies.

And be it further enacted, by the authority aforesaid, That if any person or persons, from and after the publication of this Act, shall counterfeit or alter any of the aforesaid Bills of Credit, with design to increase the value of such bill, by this act made a legal tender, or any of the Bills of Credit made current by any one of the Assemblies, Conventions, or Congresses of any of the United States of North

America, or utter any of said Bills of Credit, so counterfeited or altered, knowing them to be such, and being duly convicted thereof, shall suffer all the pains and penalties, fines and forfeitures, which by the late laws of Pennsylvania could or might have been inflicted on any person or persons so offending.

APPENDIX.

No. II.

Veneris, 4° die Decembris, 1696.

THE House being acquainted, that the Governor and Directors of the Bank of England attended according to order:

They were called in; and at the bar, presented to the House two papers; one intitled, Stock for the Honourable the Governor and Company of the Bank of England; the other, A particular List of Tallies on Parliamentary Funds; inserted in the said account of stock;

And then withdrew.

And the said papers were read, and are as follow, viz.

Stock for the Honourable the Governor and Company of the Bank of England.

Dr.	£.	s.	d.	*Cr.*	£	s.	d.
To sundry Persons for sealed Bank Bills standing out	893,800	0	0	By Tallies on several Parliamentary Funds, as per List thereof annexed with Interest	1,784,576	16	5
To ditto due on Notes for running Cash	764,196	10	6				
To Monies borrowed in Holland	300,000	0	0	By Half a Year's Deficiency of the Fund of 100,000*l.* per Ann. in the 2d Year	50,000	0	0
To Interest due upon Bank Bills standing out	17,876	0	0				
Balance	125,315	2	11	By Mortgages, Pawns, other Securities, and Cash	266,610	17	0
	£2,101,187	13	5		£2,101,187	13	5

London, November 10, 1696.

Examined by order of the Court of Directors,

Per. THO. MERCER, Accountant.

The said List of Tallies on Parliamentary Funds.

	£	s.	d.
On the 4th year's Land Tax	431,924	0	4
On continued Impositions on East India goods,	94,960	12	3
On the 4th year's Custom	200	15	9
On the 3d year's Land Tax	122,029	4	7
On the Post-Office Security	60,629	1	8
On the 2d year's Customs	109,014	13	8
On Wines, Vinegar, &c.	184,823	18	3
On the Coal Act	174,775	19	6
On the 3d year's Customs	130,713	13	1
On Marriages, &c.	431	12	0
On Joint Stocks	2,884	1	1
On ½ Excise	24,667	19	2
On the Reversionary Annuities	141,865	16	2
On the Salt Act	250,000	0	0
On Paper and Parchment	11,310	4	6
Interest grown due thereon	44,345	4	5
	£1,784,576	16	5

London, November 10th, 1696.

Examined by order of the Court of Directors,
Per THO. MERCER, Accountant.

Ordered, That the said papers be referred to the consideration of the Committee of the whole House; who are to consider further of that part of His Majesty's Speech which relates to the credit of the nation; and of the supply to be granted to His Majesty, for making good the deficiencies of parliamentary funds.

Ordered, That the Governor and Directors of the Bank of England do attend the said Committee.

Resolved, That this House will, to-morrow morning, resolve itself into the said Committee of the whole House.

Jovis 10° *die Decembris*, 1696.

Sir John Bolles reported from the Committee appointed to inspect the books of the Bank of England, and examine into their accounts given into the House, that they had inspected the books, and examined into their accounts accordingly; and had directed him to report the matter thereof to the House; which he read in his place; and afterwards delivered in at the Clerk's table: where the same was read; and is as followeth, viz.

That as to the item of £893,800. the first article on the debit side in the said account, it appeared by the books of the said Bank, to be the balance of a debt due to sundry persons for sealed Bank Bills standing out:

That as to the item of £764,196. 10*s*. 6*d*. it appeared to the Committee, that £68,669. 6*s*. 1*d*. part of that sum hath been issued out in notes, called Specie Notes; which carry interest, if for £20. or upwards, at the rate of £6. per cent; of which Specie Notes there were reckoned to be about one-third under £20. which pay no interest; and that £695,527. 4*s*. 5*d*. remainder of the £764,196. 10*s*. 6*d*. was issued out by notes, for running cash, without interest:

That as to the item of £300,000, it appeared to be the balance of a general debt, contracted, and remaining due to the States of Holland; and that, for the security of the repayment thereof, they say, the Dutch Ambassador hath in his custody Tallies belonging to the Bank.

That as to the item of £17,876, it appeared to be a sum computed to be due for interest upon Bank Bills standing out;

but that there could be no exact certainty therein, till the bills themselves came in, for the better ascertaining the same.

That as to the item of £1,784,576. 16*s.* 5*d.* the first article on the credit side in the said account of Tallies on several Parliamentary Funds;

	£	*s.*	*d.*
There appeared to be entered in their books, tallies for the sum of	1,520,407	13	9
And they produced orders and tallies which were not entered in their books for the sum of	219,823	18	3
And for interest from the 1st of April to the 1st of November, 1696, not entered in their books, for	44,345	4	5
Which said sums make up the item of	£1,784,576	16	5

But it did not appear by their books, after what sums the said Tallies were payable upon each respective fund.

That as to the item of £50,000. for half a year's deficiency on the fund of £100,000. per ann. the same appeared so by their books:

That as to the item of £266,610. 17*s.* upon mortgages, pawns, other securities, and cash, it appeared to consist of the several articles following:

	£	*s.*	*d.*
By cash per balance book	35,664	1	10
By Goldsmith's Notes as per ditto . . .	9,636	14	1
By private loans, mortgages, &c. as by the abstract of the ledger	42,160	0	8
By tickets on the million adventure . .	1,320	0	0
By bills discounted not yet received . .	16,746	16	4
By Chamberlain Certificates discounted .	1,644	10	0
Carried over	107,172	2	11

	£	s.	d.
Brought over	107,172	2	11
By money due from Holland; entered here, because the tallies deposited are so much short of the credit the states have of £300,000	30,176	1	9
By cash remitted, more than drawn; in regard there is so much due to the Governor and Company, after the credit of the States of Holland is satisfied	27,507	12	4
Unpaid on account of the stock of £1,200,000, for which bonds are given, and may be called in; therefore reckoned as cash	101,755	0	0
	£266,610	17	0

Ordered, That the consideration of the said report be referred to the Committee of the whole House; who are to consider of that part of His Majesty's Speech which relates to the Credit of the Nation.

APPENDIX.

No. III.

Report of the Committee of the House of Commons, November 1797.

THE Committee of Secrecy appointed to inquire whether it may be expedient further to continue the restriction contained in two acts, made in the last Session of Parliament, respecting payments in cash by the Bank, have inquired accordingly, and agreed upon the following report, viz.

Your Committee have, in the first place, examined the total amount of out-standing demands on the Bank of England, and of the funds for discharging the same; and find, from the examination of the Governor and Deputy Governor of the Bank, and the documents produced by them, that the total amount of outstanding demands on the Bank was, on the 11th day of this instant November, £17,578,910, and that the total amount of the funds for discharging the same (without including the permanent debt due from Government of £11,686,800, which bears an interest of three per cent.) was, on the same day £21,418,460, leaving a balance of surplus in favour of the Bank (exclusive of the above-mentioned debt from Government) of £3,839,550.

Your Committee next proceeded to examine the principal articles of which the above-mentioned sum of £21,418,460, being the credit side of the account, is made up, with a view

of ascertaining how far the Bank might be enabled to resume its accustomed payments in cash, in case the restriction at present subsisting should be removed: and your Committee find, that the advances to Government have, on the one hand been so much reduced since the 25th of February last, as to amount, on the said 11th day of this instant November, to no more than the sum of £4,258,140; while on the other hand, the cash and bullion in the Bank have increased to an amount more than five times the value of that at which they stood on the same 25th of February last, and much above that at which they have stood at any time since the beginning of September, 1795.

Your Committee further find, that the course of exchange with Hamburgh is, at present, unusually favourable to this country, and that, from the situation of our trade, there is good reason to imagine it will so continue, unless political circumstances should occur to affect it.

Your Committee next proceeded to examine the Governor and Deputy Governor of the Bank, as to their opinion of the inconvenience which may have arisen from the restriction imposed on the Bank from making payment in cash, and of the expediency of continuing such restriction; and your Committee find that they are not aware of any such inconvenience, and that they are supported in that idea, by knowing that the bankers and traders in London, who had a right by the Act of Parliament to demand three-fourths of any deposit in cash which they had made in the Bank, of £500 or upwards, have only claimed about one-sixteenth; and your Committee find that the Court of Directors of the Bank, did, on the 26th of October, 1797, come to a resolution, a copy of which is subjoined to this report.

Your Committee having further examined the Governor and Deputy Governor, as to what may be meant by the poli-

tical circumstances mentioned in that resolution, find, that they understand by them, the state of hostility in which the nation is still involved, and particularly such apprehensions as may be entertained of invasion, either in Ireland or this country, together with the possibility there may be of advances being to be made from this country to Ireland; and that from those circumstances so explained, and from the nature of the war and the avowed purpose of the enemy to attack this country by means of its public credit, and to distress it in its financial operations, they are led to think that it will be expedient to continue the restriction now subsisting, with the reserve for partial issues of cash, at the discretion of the Bank, of the nature of that contained in the present Acts; and that it may be so continued without injury to the credit of the Bank, and with advantage to the nation.

Your Committee, therefore, having taken into consideration the general situation of the country, are of opinion, that notwithstanding the affairs of the Bank, both with respect to the general balance of its accounts, and its capacity of making payments in specie, are in such a state that it might with safety resume its accustomed functions under a different state of public affairs; yet that it will be expedient to continue the restriction now subsisting on such payments, for such time, and under such limitations, as to the wisdom of Parliament may seem fit.

Copy of a resolution of the Court of Directors of the Bank:

"At a Court of Directors at the Bank, on Thursday, the 26th October, 1797.

Resolved,

THAT it is the opinion of this Court, That the Governor and Company of the Bank of England are enabled to issue

specie, in any manner that may be deemed necessary for the accommodation of the public; and the Court have no hesitation to declare, that the affairs of the Bank are in such a state that it can with safety resume its accustomed functions, if the political circumstances of the country do not render it inexpedient: But the Directors deeming it foreign to their province to judge of these points, wish to submit to the wisdom of Parliament, whether, as it has been once judged proper to lay a restriction on the payments of the Bank in cash, it may, or may not, be prudent to continue the same."

FINIS.

Printed by J. M'Creery,
Black-Horse-Court, London.

00026940

Digitized with financial assistance from the
Government of Maharashtra
on 21 October, 2015